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OFFICE OF INTERNATIONAL
CORPORATE FINANCE

Acesita S.A.

SUPPL

Report on the limited review
quarter ended June 30, 2007

*(A translation of the original report in Portuguese as published
in Brazil containing financial statements prepared in accordance
with accounting practices adopted in Brazil)*

PROCESSED

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KPMG Auditores Independentes
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To
The Board of Directors and Shareholders
Acesita S.A.
Belo Horizonte - MG

1. We have conducted a special review of the quarterly information of Acesita S.A, for the quarter ended June 30, 2007, which comprises the balance sheet and the consolidated balance sheets of this Company and its subsidiaries, the statement of income and the consolidated statement of income, the performance report and other relevant information, prepared in accordance with accounting practices generally accepted in Brazil and rules established by the Brazilian Securities Commission (CVM).
2. Our review was conducted in accordance with the specific rules established by the Brazilian Institute of Independent Auditors (IBRACON) and the Federal Accounting Council and consisted mainly of: (a) inquiries and discussion with the management responsible for the accounting, financial and operating departments of the Company with respect to the main criteria adopted in preparing the quarterly information and (b) a review of the information and subsequent events that had or may have a material effect on the financial situation and operations of the Company.
3. Based on our special review, we are not aware of any material changes that should be made to the aforementioned quarterly information for it to be in accordance with accounting practices adopted in Brazil and the rules established by the Brazilian Securities Commission that apply specifically to the preparation of the quarterly information.
4. Our special review was conducted with the aim of issuing a report on the aforementioned quarterly information. The statements of cash flows and added value present supplementary information to the information mentioned in the first paragraph and are presented to permit additional analyses. This supplementary information was submitted to the same review procedures applied to the quarterly information and we are not aware of any material changes that should be made to these statements for them to be in accordance with accounting practices adopted in Brazil and rules issued by the Brazilian Securities Commission.
5. We reviewed the balance sheets of the parent company and the consolidated balance sheets for the quarter ended March 31, 2007, and we issued a special review report without exceptions, dated April 26, 2007. We reviewed the statement of income of the parent company for the quarter ended June 30, 2006, presented for comparison purposes and we also issued a special review report without exceptions, dated August 4, 2006.

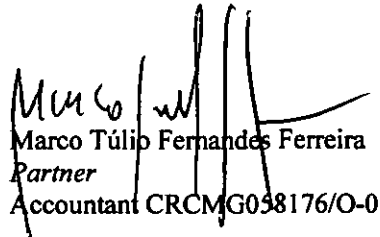
KPMG Auditores Independentes é uma sociedade brasileira,
simples, membro da KPMG International, uma cooperativa suíça.

KPMG Auditores Independentes is a Brazilian entity, a member firm of
KPMG International, a Swiss cooperative.

6. As disclosed in Note 2, as from the quarter ended March 31, 2007 the Company began to present consolidated quarterly information. The consolidated statement of income as of June 30, 2006, presented for comparison purposes, was submitted to the same procedures mentioned in the second paragraph and we are not aware of any material changes that should be made for it to be in accordance with accounting practices adopted in Brazil and in compliance with the rules issued by the Brazilian Securities Commission, specifically applicable to the preparation of the quarterly information.

July 23, 2007

KPMG Auditores Independentes
CRC SP014428/O-6-F-MG



Marco Túlio Fernandes Ferreira
Partner
Accountant CRCMG058176/O-0

CVM Reports

ITR – QUARTERLY INFORMATION

Quarterly information (Corporation Law) 2007/2

31/07/2007

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01 – Company Data

01.01 – Identification

CVM Code: 00265-8

Corporate Name: ACESITA S.A.

CNPJ: 33.390.170/0001-89

NIRE: 31300042707

01.02 – Main Office

Full Address: Av. João Pinheiro, 580

Neighborhood or District: Centro

Municipal Region: Belo Horizonte

Area Code: 031

Telephone: 3235-4220

Telex:

Fax: 3235-4300

Fax: 3235-4294

CEP: 30130-180

UF: MG

Telephone: 3235-4111

Telephone: 3235-4268

DDD: 031

Fax: 3235-4264

E-mail.: finance@acesita.com.br

01.03 - Investor Relations Director (address for Correspondence with the Company)

Name of Director: SERGIO AUGUSTO CARDOSO MENDES

Mailing Address: Av. João Pinheiro, 580

Neighborhood or District: Centro

Municipal Region: Belo Horizonte

DDD: 031

Telephone:

Telex:

Fax: 3235-7218

Fax:

CEP: 30130-180

UF: MG

Telephone: 3235-4268

Telephone:

DDD: 031

Fax:

E-mail of the Director: finance@acesita.com.br

01.04 – ITR Reference

| Fiscal Period in Course | | | Current Quarter | | | Previous Quarter | | |
|-------------------------|------------|--------|-----------------|------------|--------|------------------|------------|--|
| Beginning | End | Number | Beginning | End | Number | Beginning | End | |
| 01/01/2007 | 31/12/2007 | 2 | 01/04/2007 | 30/06/2007 | 1 | 01/01/2007 | 31/03/2007 | |



01.05 – Composition of Capital Stock

| Number of Shares (in thousands): | Current Quarter 30/06/2007: | Previous Quarter 31/03/2007: | Equal to Previous Quarter 30/06/2006: |
|----------------------------------|--------------------------------|---------------------------------|--|
| Of Paid-in Capital | | | |
| Common | 24,900 | 24,900 | 24,900 |
| Preferred | 49,648 | 49,648 | 49,648 |
| Total: | 74,548 | 74,548 | 74,548 |
| Treasury Stock | | | |
| Common | 149 | 149 | 149 |
| Preferred | 105 | 105 | 105 |
| Total: | 254 | 254 | 254 |

1.06 – Characteristics of the Company

| | |
|----------------------------------|---|
| Type of Company: | - Commercial industrial and others |
| Status | Operational |
| Nature of Shareholding Control : | National – private sector |
| Activity Code Number | 1060 – Metallurgy and Steel |
| Core Business: | STEEL - MANUFACTURING OF SPECIALTY STEELS |
| Type of Consolidated | Total |
| Type of Audit Report: | Unqualified |

01.07 – Companies Not Included in the Consolidated Financial Statements

| Item: | CNPJ: | Corporate Name |
|-------|-------|----------------|
|-------|-------|----------------|

01.08 – Earnings in Cash Deliberated and/or Paid During and After the Quarter

| Item: | Event: | Approval | Profit | Beginning of Payment.: | Type of Share | Earnings per Share (R\$): |
|-------|----------------------------------|------------|-----------------------|---------------------------|------------------|------------------------------|
| 01 | General Shareholders' Meeting | 25/04/2007 | Dividend | 10/05/2007 | ON | 0.9306510000 |
| 02 | General Shareholders' Meeting | 25/04/2007 | Dividend | 10/05/2007 | PN | 1.0237160000 |
| 03 | General Shareholders' Meeting | 25/04/2007 | Interest on Equity | 10/05/2007 | ON | 0.3646770000 |
| 04 | General Shareholders' Meeting | 25/04/2007 | Interest on Equity | 10/05/2007 | PN | 0.4011450000 |

01.09 – Subscribed Capital Stock and Changes in the Fiscal Period in Course

| Item: | Date of Change | Value of Capital Stock (x R\$ 1000): | Value of Change (x R\$ 1000): | Origin of Change: | Number of Shares Issued (Thousands): | Price of Share at Issuance (R\$): |
|-------|-------------------|---|-------------------------------------|----------------------|---|--------------------------------------|
|-------|-------------------|---|-------------------------------------|----------------------|---|--------------------------------------|

01.10 - Investor Relations Director

Data: 31/07/2007

Signature: Not available

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31/07/2007

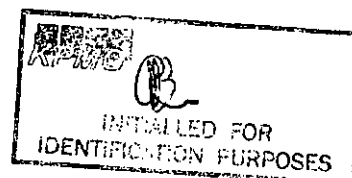
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02 - Balance Sheet

Real

02.01 –Balance Sheet - Assets (x RS 1000)

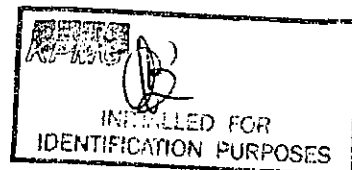
| Code Number of Account: | Description of Account | 30/06/2007: 31/03/2007: | |
|-------------------------|---|-------------------------|-----------|
| 1 | Total Assets | 4,860,197 | 4,714,284 |
| 1.01 | Current Assets | 2,010,796 | 1,888,770 |
| 1.01.01 | Cash and Cash Equivalents | 393,613 | 450,789 |
| 1.01.01.01 | Cash and Banks | 67,177 | 38,279 |
| 1.01.01.02 | Financial Investments | 326,436 | 412,510 |
| 1.01.02 | Credits | 665,122 | 572,569 |
| 1.01.02.01 | Clients | 665,122 | 572,569 |
| 1.01.02.01.01 | Foreign Market | 237,824 | 290,062 |
| 1.01.02.01.02 | Domestic Market | 443,787 | 365,393 |
| 1.01.02.01.03 | Vendor | 0 | (66,784) |
| 1.01.02.01.04 | Provision for credit risks | (16,489) | (16,102) |
| 1.01.02.02 | Other receivables | 0 | 0 |
| 1.01.03 | Inventories | 695,677 | 676,908 |
| 1.01.03.01 | Finished Products | 122,176 | 129,162 |
| 1.01.03.02 | Products being manufactured | 256,411 | 257,947 |
| 1.01.03.03 | Raw Materials | 184,860 | 102,344 |
| 1.01.03.04 | Products in the hands of third parties | 22,202 | 22,689 |
| 1.01.03.05 | Imports in course | 68,997 | 105,858 |
| 1.01.03.06 | Materials for consumption and maintenance | 54,154 | 69,365 |
| 1.01.03.07 | Provision for losses | (13,123) | (10,457) |
| 1.01.04 | Others | 256,384 | 188,504 |
| 1.01.04.01 | Recoverable and deferred taxes | 192,542 | 140,515 |
| 1.01.04.02 | Deferred expenses | 5,674 | 9,745 |
| 1.01.04.03 | Employees' account | 4,005 | 3,434 |
| 1.01.04.04 | Dividends receivable | 0 | 0 |
| 1.01.04.05 | Securities receivable | 24,517 | 24,314 |
| 1.01.04.06 | Restructuring assets | 1,633 | 1,816 |
| 1.01.04.07 | Assets earmarked for sale | 170 | 170 |
| 1.01.04.08 | Others | 27,843 | 8,510 |
| 1.02 | Long-term assets | 2,849,401 | 2,825,514 |
| 1.02.01 | Long-term Realizable Assets | 393,579 | 400,726 |
| 1.02.01.01 | Other receivables | 303,958 | 307,631 |
| 1.02.01.01.01 | Recoverable and deferred taxes | 192,090 | 190,752 |
| 1.02.01.01.02 | Court Deposits | 88,916 | 92,675 |
| 1.02.01.01.03 | Restructuring Assets | 9,716 | 9,930 |



| | | | |
|---------------|--|-------------|-------------|
| 1.02.01.01.04 | Others | 13,236 | 14,274 |
| 1.02.01.02 | Credits with Associated Entities | 88,796 | 92,926 |
| 1.02.01.02.01 | With Affiliates and Related Entities | 0 | 0 |
| 1.02.01.02.02 | With Subsidiaries | 88,796 | 92,926 |
| 1.02.01.02.03 | With Other Related Entities | 0 | 0 |
| 1.02.01.03 | Others | 825 | 169 |
| 1.02.01.03.01 | Deferred Expenses | 825 | 169 |
| 1.02.02 | Fixed Assets | 2,455,822 | 2,424,788 |
| 1.02.02.01 | Investments | 287,057 | 260,373 |
| 1.02.02.01.01 | Shareholding Interests in Affiliated/Related Companies | 0 | 0 |
| 1.02.02.01.02 | Shareholding Interests in Affiliated/Related Companies – Premium | 0 | 0 |
| 1.02.02.01.03 | Shareholding Interest in Subsidiaries | 284,049 | 257,365 |
| 1.02.02.01.04 | Shareholding Interest in Subsidiaries –Premium | 0 | 0 |
| 1.02.02.01.05 | Other Investments | 3,008 | 3,008 |
| 1.02.02.02 | Fixed Assets | 2,129,636 | 2,122,412 |
| 1.02.02.02.01 | Land | 6,308 | 6,322 |
| 1.02.02.02.02 | Buildings and Facilities | 835,607 | 835,579 |
| 1.02.02.02.03 | Industrial Equipment | 2,408,474 | 2,391,306 |
| 1.02.02.02.04 | Vehicles, Furniture, Utensils, Instruments | 43,656 | 42,177 |
| 1.02.02.02.05 | Accumulated Depreciation and Depletion | (1,321,123) | (1,279,208) |
| 1.02.02.02.06 | Advances to Suppliers | 15,315 | 16,454 |
| 1.02.02.02.07 | Construction Work in Course | 113,805 | 75,196 |
| 1.02.02.02.08 | Imports in Transit | 225 | 7,217 |
| 1.02.02.02.09 | Others | 27,369 | 27,369 |
| 1.02.02.03 | Intangible | 39,129 | 42,003 |
| 1.02.02.04 | Deferred | 0 | 0 |

02.02 –Balance Sheet - Liabilities (x RS 1000)

| Account Code Number | Description of Account | 30/06/2007: | 31/03/2007: |
|---------------------|-------------------------------|-------------|-------------|
| 2 | Total Liabilities | 4,860,197 | 4,714,284 |
| 2.01 | Current Liabilities | 861,301 | 936,303 |
| 2.01.01 | Loans and Financings | 99,712 | 142,797 |
| 2.01.02 | Debentures | 0 | 0 |
| 2.01.03 | Suppliers | 417,867 | 472,752 |
| 2.01.04 | Taxes, Fees and Contributions | 226,634 | 129,250 |
| 2.01.05 | Dividends payable | 1,924 | 99,706 |
| 2.01.06 | Provisions | 6,354 | 9,936 |
| 2.01.06.01 | Provision for Restructuring | 6,354 | 9,936 |
| 2.01.07 | Debts with Related Entities | 0 | 0 |
| 2.01.08 | Others | 108,810 | 81,862 |
| 2.01.08.01 | Salaries and Social Charges | 56,641 | 50,583 |
| 2.01.08.02 | Others | 52,169 | 31,279 |
| 2.02 | Non-current liabilities | 779,173 | 806,799 |
| 2.02.01 | Long-term liabilities | 779,173 | 806,799 |
| 2.02.01.01 | Loans and Financings | 260,219 | 279,027 |
| 2.02.01.02 | Debentures | 0 | 0 |
| 2.02.01.03 | Provisions | 0 | 0 |



| | | | |
|---------------|---|-----------|-----------|
| 2.02.01.04 | Debts with Related Entities | 3,835 | 4,082 |
| 2.02.01.04.01 | Acesita International Ltd. | 3,835 | 4,082 |
| 2.02.01.05 | Advance for Future Capital Increase | 0 | 0 |
| 2.02.01.06 | Others | 515,119 | 523,690 |
| 2.02.01.06.01 | Deferred Income Tax and Social contribution | 313,270 | 322,392 |
| 2.02.01.06.02 | Taxes and Contributions deposited in Court | 20,255 | 20,110 |
| 2.02.01.06.03 | Provisions for Contingencies | 124,835 | 122,523 |
| 2.02.01.06.04 | Provision for Restructuring | 1,930 | 2,300 |
| 2.02.01.06.05 | Others | 54,829 | 56,365 |
| 2.02.02 | Deferred income | 0 | 0 |
| 2.04 | Net Equity | 3,219,723 | 2,971,182 |
| 2.04.01 | Realized Capital Stock | 1,251,921 | 1,251,921 |
| 2.04.02 | Capital Reserves | 3,948 | 3,948 |
| 2.04.02.01 | IPI Subsidy – Law 7554/86 | 3,948 | 3,948 |
| 2.04.03 | Revaluation Reserves | 674,038 | 690,764 |
| 2.04.03.01 | Own Assets | 674,038 | 690,764 |
| 2.04.03.02 | Subsidiaries/Affiliates and Similar | 0 | 0 |
| 2.04.04 | Profit Reserves | 783,808 | 783,808 |
| 2.04.04.01 | Legal | 85,771 | 85,771 |
| 2.04.04.02 | Statutory Reserves | 0 | 0 |
| 2.04.04.03 | For contingencies | 0 | 0 |
| 2.04.04.04 | Realizable profits reserve | 0 | 0 |
| 2.04.04.05 | Profit Withholding | 0 | 0 |
| 2.04.04.06 | Special reserve for Non-distributed Dividends | 0 | 0 |
| 2.04.04.07 | Other Profit Reserves | 698,037 | 698,037 |
| 2.04.04.07.01 | Treasury Stock | (3,937) | (3,937) |
| 2.04.04.07.02 | For Investment and Working Capital | 701,974 | 701,974 |
| 2.04.05 | Accumulated Profits/Losses | 506,008 | 240,741 |
| 2.04.06 | Advance for Future Capital Increase | 0 | 0 |

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ITR - QUARTERLY INFORMATION

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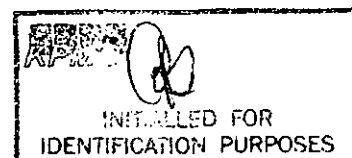
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03 – Income Statement

Real

03.01 – Income Statement (x R\$ 1000)

| Code Number of Account: | Description of Account | 01/04/2007 to 30/06/2007: | 01/01/2007 to 30/06/2007: | 01/04/2006 to 30/06/2006: | 01/01/2006 to 30/06/2006: |
|-------------------------|--|---------------------------|---------------------------|---------------------------|---------------------------|
| 3.01 | Gross Income from Sales and/or Services | 1,412,875 | 2,746,784 | 978,225 | 1,832,963 |
| 3.02 | Deduction from Gross Income Revenues | (277,577) | (519,512) | (185,474) | (344,280) |
| 3.03 | Net Revenues from Sales and/or Services | 1,135,298 | 2,227,272 | 792,751 | 1,488,683 |
| 3.04 | Cost of Goods and/or Services Sold | (753,429) | (1,501,869) | (545,369) | (1,046,667) |
| 3.05 | Gross Income | 381,869 | 725,403 | 247,382 | 442,016 |
| 3.06 | Operating Expenses/Income | (60,215) | (125,974) | (88,620) | (125,210) |
| 3.06.01 | From Sales | (39,570) | (80,653) | (37,742) | (74,754) |
| 3.06.01.01 | Expenses with Personnel/Labor Charges | (5,032) | (10,256) | (4,969) | (10,462) |
| 3.06.01.02 | Expenses with Sales | (11,792) | (22,686) | (11,590) | (21,348) |
| 3.06.01.03 | Expenses with Exports | (20,488) | (43,185) | (18,475) | (38,615) |
| 3.06.01.04 | Others | (2,258) | (4,526) | (2,708) | (4,329) |
| 3.06.02 | General and Administrative | (38,882) | (73,802) | (35,238) | (68,315) |
| 3.06.02.01 | Remuneration of Personnel / Social Charges | (12,388) | (24,602) | (11,233) | (22,838) |
| 3.06.02.02 | Rents | (1) | (648) | (1,607) | (2,276) |
| 3.06.02.03 | Outsourced Services | (10,815) | (19,234) | (9,352) | (18,656) |
| 3.06.02.04 | Taxes, Fees and Penalties | (2,948) | (6,560) | (3,074) | (6,732) |
| 3.06.02.05 | Depreciation | (3,083) | (6,149) | (2,425) | (4,726) |
| 3.06.02.06 | Others | (9,647) | (16,609) | (7,547) | (13,087) |
| 3.06.03 | Financial | (2,116) | (4,801) | (5,435) | (12,890) |
| 3.06.03.01 | Financial Income | 14,683 | 29,180 | 12,482 | 26,655 |
| 3.06.03.02 | Financial Expenses | (16,799) | (33,981) | (17,917) | (39,545) |
| 3.06.04 | Other Operating Income | 11,203 | 12,300 | (2,029) | 41,009 |
| 3.06.04.01 | Net Monetary | 11,203 | 12,300 | (2,029) | 41,009 |



| | | | | | |
|------------|---|----------|-----------|----------|----------|
| | Variations | | | | |
| 3.06.05 | Other Operating Expenses | (4,445) | (5,472) | (12,497) | (15,900) |
| 3.06.06 | Equity Income | 13,595 | 26,454 | 4,321 | 5,640 |
| 3.06.06.01 | Evaluated by Equity Income | 12,405 | 25,002 | 3,428 | 4,747 |
| 3.06.06.02 | Evaluated at Cost | 1,190 | 1,452 | 893 | 893 |
| 3.07 | Operating Income | 321,654 | 599,429 | 158,762 | 316,806 |
| 3.08 | Non-Operating Income | (998) | 26 | 220 | 7,245 |
| 3.08.01 | Income | 1,717 | 3,416 | 6,934 | 20,444 |
| 3.08.02 | Expenses | (2,715) | (3,390) | (6,714) | (13,199) |
| 3.09 | Income Before Taxes/Shareholding Interest | 320,656 | 599,455 | 158,982 | 324,051 |
| 3.10 | Provision for Income Tax and Social Contribution | (73,374) | (143,608) | (46,161) | (85,385) |
| 3.11 | Deferred Income Tax | 1,259 | 17,198 | 0 | 0 |
| 3.12 | Shareholding Interests/Statutory Contributions | 0 | 0 | 0 | 0 |
| 3.12.01 | Shareholding Interests | 0 | 0 | 0 | 0 |
| 3.12.02 | Contributions | 0 | 0 | 0 | 0 |
| 3.13 | Reversal of Interest on Own Capital | 0 | 0 | 0 | 0 |
| 3.15 | Earnings/Losses in the Period | 248,541 | 473,045 | 112,821 | 238,666 |
| | Number of Shares, With the exception of Treasury Stock (thousands): | 74,294 | 74,294 | 74,294 | 74,294 |
| | Earnings per Share (R\$) | 3.34537 | 6.36720 | 1.51857 | 3.21245 |
| | Losses per Share (R\$) | 0.00000 | 0.00000 | 0.00000 | 0,00000 |

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1 Operating context

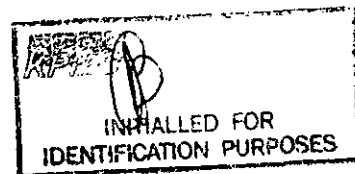
Acesita S.A. ("The Company") is a publicly-held company, the corporate object of which is the processing and marketing of special metallurgic products, agribusiness and the rendering of services related to its field of activities.

The Company's main activities are carried out at a plant located in the city of Timóteo – State of Minas Gerais. The Company also holds equity interest in companies with business activities related to its corporate object.

On June 30, 2007, the major shareholding interests held by the Company and the respective fields of activities were as follows:

- Acesita Serviços, Comércio, Indústria e Participações Ltda. - (100% direct ownership interest) – distribution and processing of steel for third parties and further sale thereof to end consumers, especially under the name "Amorim Comercial" and "Acesita Serviços Campinas", as well as shareholding interest in the capital of the following companies:
 - Acesita Energética Ltda. - (100% ownership interest) – reforestation and production of charcoal;
 - Inox Tubos S.A. - (43.85% total shareholding interest – 50.0% of voting stock) – manufacturing and marketing of welded steel pipes and special alloys;
 - Acesita Argentina S.A. - (100% ownership interest) – commercial representation in Argentina;
 - Preservar Madeira Reflorestada Ltda. – (50% indirect shareholding interest) – manufacturing of wood artifacts;
 - Acesita Centros de Serviços Ltda. – (100% ownership interest) – rendering of cutting and finishing services for steel products in general.
- Acesita International Ltd. - (100% direct ownership interest) – commercial representation abroad.
- Acesita Export and Trade - (100% direct ownership interest) – commercial representation abroad.
- Acesita Holding BV – (100% direct ownership interest) – company organized on June 27, 2007, the object of which is commercial representation abroad and equity interest in another company, as follows:
 - Acesita Imports & Exports, LDA – (100% ownership interest) – company acquired on July 03, 2007, the object of which is the importing and exporting of products abroad.

On April 01, 2007, Acesita S.A. increased the capital of its subsidiary company Acesita Serviços, Comércio, Indústria e Participações Ltda., on the basis of the total number of shares that the latter company held in Acesita Centros de Serviços Ltda., based on the carrying book value in the amount of R\$ 9,437, according to the Audit Report issued by independent auditor.



2 Presentation of quarterly information

The accounting principles, methods and criteria adopted are consistent with those used for the presentation of the financial statements for the fiscal period ended December 31, 2006, according to the accounting practices adopted in Brazil and to the rules of the "Comissão de Valores Mobiliário" ("CVM"). The values are expressed in thousands of reais.

As of the quarter ended March 31, 2007, the Company decided to present, in addition to the balance sheets, income statement, and explanatory notes referring to ACESITA S.A., the parent company, the referred financial statements and explanatory notes on the Company and its subsidiaries ("consolidated"). Thus, for purposes of comparison, this Quarterly Information Report also includes the balance sheets, the income statement and, where applicable, information contained in the explanatory notes, referring to consolidated data for quarters ended March 31, 2007 and June 30, 2006.

3 Main consolidation procedures

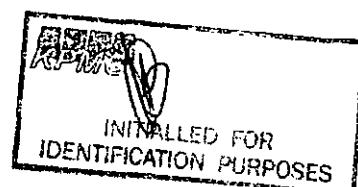
The accounting policies were applied in a uniform manner to all consolidated companies and are consistent with the ones used for the fiscal period ended December 31, 2006 and the half year period ended June 30, 2006.

The consolidated Quarterly Report includes the financial statements of the parent company and those of the subsidiary companies referred to in Explanatory Note 1.

The parent company's equity interest in subsidiaries, as well as the relevant balances of assets and liabilities, revenues, costs, expenses and unearned income resulting from business transactions – net of taxes and charges – conducted among the companies were eliminated from the consolidated statements. The subsidiary companies Inox Tubos S.A. and Preservar Madeira Reflorestada Ltda., in which control is held jointly with other shareholders, are consolidated according to the proportional consolidation method, which is applicable to each item of the subsidiaries' financial statements. Consequently, minority shareholding interests are not highlighted.

Reconciliation of the values referring to shareholders' equity and the results between consolidated and parent company are as follows:

| | Shareholders' equity | | Net profit in the half year | |
|---|----------------------|-----------|-----------------------------|----------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 30/06/06 |
| Consolidated | 3,198,708 | 2,950,701 | 466,834 | 238,640 |
| Elimination of unearned income in business transactions with subsidiary companies | 21,015 | 20,481 | 6,211 | 26 |
| Parent company | 3,219,723 | 2,971,182 | 473,045 | 238,666 |

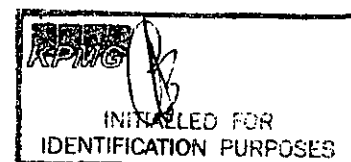


4 Deferred taxes and tax credits

| | Consolidated | | Parent Company | |
|--|--------------|-----------|----------------|-----------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 |
| Deferred income tax and social contribution | 269,283 | 274,736 | 231,539 | 238,898 |
| Income Tax/IRPJ and Social Contribution on Net Income/CSLL | 124,280 | 53,008 | 121,048 | 50,879 |
| Employees' Profit Participation Program/PIS | 4,373 | 6,783 | 2,760 | 5,272 |
| Tax for Social Security Financing/COFINS | 13,724 | 19,992 | 12,740 | 19,394 |
| Tax on Goods and Services/ICMS and Excise Tax/II | 20,716 | 20,022 | 16,304 | 16,582 |
| Others | 578 | 574 | 241 | 242 |
| | 432,954 | 375,115 | 384,632 | 331,267 |
| Current | (200,112) | (145,422) | (192,542) | (140,515) |
| Non-Current | 232,842 | 229,693 | 192,090 | 190,752 |

Deferred income tax and social contribution were calculated and accounted for on June 30 and March 31, 2007, as follows:

| | | | 30/06/07 | 31/03/07 |
|--|------------|---------------------|-----------|-----------|
| | Income Tax | Social Contribution | Total | Total |
| Consolidated - | | | | |
| Tax loss and tax credit | 763,119 | 763,146 | | |
| Inter-temporary differences | 453,978 | 452,766 | | |
| | 1,217,097 | 1,215,912 | | |
| Rates | 25% | 9% | | |
| Total deferred income tax and social contribution | 304,274 | 109,432 | 413,706 | 456,638 |
| Deferred income tax and social contribution not accounted for | (108,648) | (35,775) | (144,423) | (181,902) |
| Deferred income tax and social contribution accounted for on the asset | 195,626 | 73,657 | 269,283 | 274,736 |
| Current | (45,074) | (16,227) | (61,301) | (67,429) |
| Non-Current | 150,552 | 57,430 | 207,982 | 207,307 |



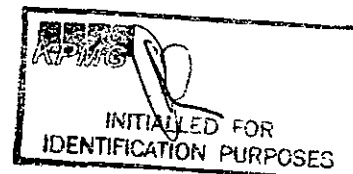
| | | | 30/06/07 | 31/03/07 |
|---|-----------------|---------------------|------------------|------------------|
| | Income Tax | Social Contribution | Total | Total |
| Parent Company - | | | | |
| Tax loss and tax credit | 584,758 | 568,238 | | |
| Inter-temporary differences | <u>425,526</u> | <u>423,566</u> | | |
| | 1,010,284 | 991,804 | | |
| Rates | <u>25%</u> | <u>9%</u> | | |
| Total deferred income tax and social contribution | 252,571 | 89,262 | 341,833 | 382,503 |
| Deferred income tax and social contribution not accounted for | <u>(84,796)</u> | <u>(25,498)</u> | <u>(110,294)</u> | <u>(143,605)</u> |
| Deferred income tax and social contribution accounted for on the asset side | 167,775 | 63,764 | 231,539 | 238,898 |
| Current | <u>(45,074)</u> | <u>(16,227)</u> | <u>(61,301)</u> | <u>(67,429)</u> |
| Non-Current | <u>122,701</u> | <u>47,537</u> | <u>170,238</u> | <u>171,469</u> |

The tax loss balance of the Parent Company includes R\$221,819 (same value on March 31, 2007) of the to non-operating tax loss that can only be offset by non-operating income (value not reported on June 30 and March 31, 2007).

The deferred income tax and social contribution are stated to reflect the future tax effects attributable to temporary differences between the tax base of assets or liabilities and their respective book values. The main inter-temporary differences refer mainly to provisions for losses related with non-amortized premiums of subsidiaries and provisions to be deducted upon settlement

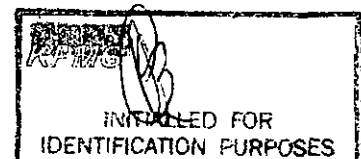
In fiscal 2006, the Company achieved three years of taxable income, considering the last five years, which allowed deferred tax credits to be accounted for in addition to those already accounted for previously, as established in CVM Instruction 371/2002. Thus, the Company, based on expectations of generating future taxable income, as established in a technical study approved by the Management, recognized taxable credits against tax losses and negative basis for calculating social contributions for previous fiscal periods (including effects from the Plano Verão monetary stability plan – See Explanatory Note 11) that are not time-barred and whose offsetting is limited to 30% of the annual taxable income. The book value of the deferred tax asset and the projections will be revised from time to time, in the event that relevant factors modify the projections.

The Company's Management considers that deferred assets arising from temporary differences will be realized in the proportion according to the final solution of the events that generated such differences.



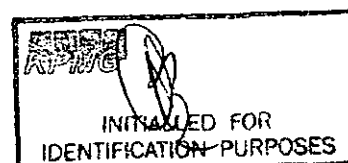
Based on the technical study of projections referring to taxable income calculated according to CVM Instruction Nr. 371, the Company estimates that it will recover tax credits arising from the losses accumulated in the following fiscal periods:

| <u>Base Year</u> | Estimated use of the credit accounted for | |
|------------------|--|-----------------------|
| | <u>Consolidated</u> | <u>Parent Company</u> |
| 2007 | 23,721 | 23,721 |
| 2008 | 103,064 | 97,796 |
| 2009 | 92,300 | 88,340 |
| 2010 | 50,198 | 21,682 |
| Total | <u>269,283</u> | <u>231,539</u> |



Reconciliation of the credit/expense related to income tax and social contribution in the results of the half-year periods ended June 30, 2007 and 2006, encompassing their nominal and actual rates, is as follows:

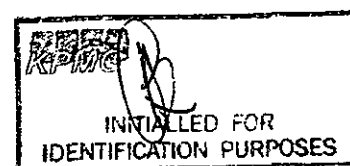
| | Consolidated | | | |
|---|------------------|-----------------|-----------------|-----------------|
| | 30/06/07 | | 30/06/06 | |
| | IRPJ | CSLL | IRPJ | CSLL |
| Earnings before income tax and social contribution | 600,216 | 600,216 | 325,049 | 325,049 |
| Tax rate | 25% | 9% | 25% | 9% |
| Tax and social contribution calculated over the result before Income tax and social contribution | (150,054) | (54,019) | (81,262) | (29,254) |
| <i>Temporary and permanent differences</i> | | | | |
| Depreciation of re-evaluated assets | (12,486) | (4,495) | (12,270) | (4,417) |
| Effects of the Plano Verão monetary stability plan (excluding depreciation and writing off of fixed assets) | 875 | 315 | 857 | 309 |
| Provisions for losses, contingencies and others | 10,412 | 3,851 | 5,537 | 2,087 |
| Others | (5,515) | (1,747) | 447 | 170 |
| Income tax and social contribution debits at the end of each half year | (156,768) | (56,095) | (86,691) | (31,105) |
| Offsetting of tax losses/negative calculation basis | 47,706 | 16,992 | 23,017 | 8,193 |
| Realization of deferred income tax and social contribution assets/liabilities | 12,486 | 4,495 | - | - |
| Deferred income tax and social contribution registered over inter-temporary differences | (10,276) | (3,708) | - | - |
| Deferred income tax and social contribution registered over tax losses/negative calculation basis | 7,685 | 6,254 | - | - |
| Workers' Meal Program | 195 | - | 142 | - |
| Others | (1,697) | (651) | 35 | - |
| Expenses in each half year | <u>(100,669)</u> | <u>(32,713)</u> | <u>(63,497)</u> | <u>(22,912)</u> |



| | Parent Company | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 30/06/07 | | 30/06/06 | |
| | IRPJ | CSLL | IRPJ | CSLL |
| Earnings before Income Tax and Social Contribution | 599,455 | 599,455 | 324,051 | 324,051 |
| Tax Rate | 25% | 9% | 25% | 9% |
| Tax and Social Contribution on earnings before Income Tax and Social Contribution | (149,864) | (53,951) | (81,013) | (29,165) |
| <i>Temporary and Permanent differences</i> | | | | |
| Equity Income | 5,907 | 2,126 | 941 | 339 |
| Depreciation of re-evaluated assets | (12,486) | (4,495) | (12,270) | (4,417) |
| Effects of Plano Verão monetary stability plan (excluding depreciation and writing off of fixed assets) | 875 | 315 | 857 | 309 |
| Provisions for losses, contingencies and others | 10,102 | 3,637 | 1,308 | 471 |
| Other | (3,229) | (955) | 342 | 124 |
| Income Tax and Social Contribution debit at the end of each half year | (148,695) | (53,323) | (89,835) | (32,339) |
| Offsetting of tax losses/negative tax basis | 44,609 | 15,997 | 26,951 | 9,702 |
| Realization of deferred income tax and social contribution assets/liabilities | 12,486 | 4,495 | - | - |
| Deferred income tax and social contribution registered over inter-temporary differences | (10,090) | (3,632) | - | - |
| Deferred income tax and social contribution registered over tax losses/negative calculation basis | 7,685 | 6,254 | - | - |
| Workers' Meal Program | 118 | - | 125 | - |
| Other | (1,682) | (632) | 11 | - |
| Expenses for each half year | <u>(95,569)</u> | <u>(30,841)</u> | <u>(62,748)</u> | <u>(22,637)</u> |

The composition of current and deferred income tax and social contribution in the result for the half year periods ended June 30, 2007 and 2006 is as follows:

| | Consolidated | | Parent Company | |
|------------------------------------|------------------|-----------------|------------------|-----------------|
| | 30/06/07 | 30/06/06 | 30/06/07 | 30/06/06 |
| Income Tax and Social Contribution | | | | |
| Current | (150,318) | (86,409) | (143,608) | (85,385) |
| Deferred | 16,936 | - | 17,198 | - |
| Expense | <u>(133,382)</u> | <u>(86,409)</u> | <u>(126,410)</u> | <u>(85,385)</u> |



5 Court deposits

On June 30 and March 31, 2007, the Company had filed lawsuits questioning legal aspects related to specific taxes, for which it had court deposits (See Explanatory Note 11) and to a portion of the contingencies (See Explanatory Note 12).

| | Consolidated | | Parent Company | |
|----------------------------------|---------------|---------------|----------------|---------------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 |
| Tax and social security lawsuits | 90,037 | 94,055 | 87,715 | 91,739 |
| Labor and civil lawsuits | 1,823 | 1,563 | 1,201 | 936 |
| | <u>91,860</u> | <u>95,618</u> | <u>88,916</u> | <u>92,675</u> |

6 Investments

(a) Below is the information on investees:

| | Acesita Export and Trade | | Acesita Centros de Servicios Ltda | | Acesita Servicios, Com., Ind e Part. Ltda | | Acesita International Ltd. | | Acesita Holding BV |
|---|--------------------------|-----------|-----------------------------------|------------|---|---------------|----------------------------|-----------|--------------------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 | 30/06/07 |
| Capital Stock | 96 | 103 | 13,187 | 6,162 | 204,272 | 161,422 | 13,965 | 14,865 | 386 |
| Quantity of shares owned (in thousands) | 0.1 | 0.1 | - | 6,162 | 204,272 | 161,422 | 7,250 | 7,250 | 1,500 |
| Shareholders' Equity | 1,884 | 1,961 | 9,365 | 1,728 | 286,941 | 258,163 | (35,045) | (36,399) | 366 |
| Equity interest at the end of fiscal period - % | 100 | 100 | - | 100 | 100 | 100 | 100 | 100 | 100 |
| Stake in Shareholders' Equity | 1,884 | 1,961 | - | 1,728 | 286,941 | 258,163 | (35,045) | (36,399) | 366 |
| Other information on investees | | | | | | | | | |
| Net Profit (Loss) - | 183 | 150 | 287 | 287 | 24,987 | 13,195 | (2,232) | (1,470) | - |
| <i>Reconciliation with equity income result</i> | | | | | | | | | |
| Unearned income and foreign exchange difference | (187) | (77) | - | - | (1,644) | (979) | 3,608 | 1,493 | - |
| | <u>(4)</u> | <u>73</u> | <u>287</u> | <u>287</u> | <u>23,343</u> | <u>12,216</u> | <u>1,376</u> | <u>23</u> | <u>-</u> |



The summary of investment activities in the quarter and half year ended June 30, 2007, is as follows:

| | In subsidiary companies | | In other companies and other investments | Total |
|-------------------------------------|----------------------------------|---|--|---------|
| | Acesita Centros de Serviços Ltda | Acesita Serviços, Com., Ind. e Part. Ltda | | |
| Balances on March 31, 2007 | 1,728 | 253,677 | 4,969 | 260,374 |
| Equity Income | - | 11,127 | (77) | 11,050 |
| Advance for future capital increase | - | 16,975 | - | 16,975 |
| Write-off | (1,728) | - | - | (1,728) |
| Payment of capital | - | - | 386 | 386 |
| Balances on June 30, 2007 | - | 281,779 | 5,278 | 287,057 |

| | In subsidiary companies | | In other companies and other investments | Total |
|-------------------------------------|----------------------------------|---|--|---------|
| | Acesita Centros de Serviços Ltda | Acesita Serviços, Com., Ind. e Part. Ltda | | |
| Balances on December 31, 2006 | 1,441 | 231,743 | 4,896 | 238,080 |
| Equity Income | 287 | 23,343 | (4) | 23,626 |
| Advance for future capital increase | - | 26,693 | - | 26,693 |
| Write-off | (1,728) | - | - | (1,728) |
| Payment of capital | - | - | 386 | 386 |
| Balances on June 30, 2007 | - | 281,779 | 5,278 | 287,057 |

- (b) On June 30, 2007, subsidiary company Acesita International Ltd. announced negative shareholders' equity equivalent to R\$35,045 (equivalent to R\$36,399 on March 31, 2007). Such value is accounted for under Other Long-Term Liabilities which, in the first half of 2007, was written off from the provision of R\$1,376 (reversion of R\$985 in the first half of 2006); this amount being accounted for under equity income .
- (c) Subsidiary companies directly or indirectly controlled by the Company are not listed on stock exchanges.



(d) Equity income is as follows:

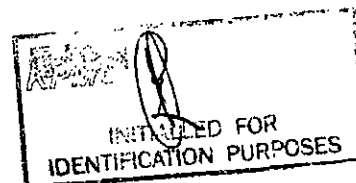
| | Consolidated | | Parent Company | |
|---|--------------|----------|----------------|----------|
| | 30/06/07 | 30/06/06 | 30/06/07 | 30/06/06 |
| Evaluated by Equity Income | | | | |
| Acesita Serviços, Com., Ind. e Participações Ltda. | - | - | 23,343 | 3,201 |
| Acesita International Ltd. | - | - | 1,376 | 985 |
| Acesita Centros de Serviços Ltda. | - | - | 287 | 185 |
| Acesita Export and Trade | - | - | (4) | 376 |
| | - | - | 25,002 | 4,747 |
| Evaluated at cost (dividends and interest on own capital received) | | | | |
| Aços Villares S.A. | 1,452 | 893 | 1,452 | 893 |
| | 1,452 | 893 | 26,454 | 5,640 |

(e) Investments in other companies are registered at the cost of acquisition. This account is substantially comprised of direct shareholding interest in the company Aços Villares S.A. , corresponding to 4.41% of this company's voting capital.

7 Related parties

Main balances and transactions with related companies

| | ASSETS | | | LIABILITIES | | |
|---|-----------------------------------|--|---------|---------------------------------------|--|--------|
| | Credits with subsidiary companies | Accounts receivable and other balances | Total | Liabilities with subsidiary companies | Suppliers abroad, credit facilities and other balances | Total |
| Grupo Arcelor Mittal | - | 1,295 | 1,295 | - | 2,878 | 2,878 |
| Acesita Serviços, Comércio, Indústria e Participações Ltda. | - | 101,441 | 101,441 | - | 768 | 768 |
| Acesita International Ltd. | 87,811 | - | 87,811 | 3,835 | - | 3,835 |
| Acesita Energética Ltda. | - | - | - | - | 1,828 | 1,828 |
| Preservar Madeira Reflorestada | - | - | - | - | 271 | 271 |
| Acesita Argentina S.A. | - | - | - | - | 860 | 860 |
| Acesita Centros de Serviços Ltda. | 985 | 543 | 1,528 | - | 1,042 | 1,042 |
| Inox Tubos S.A. | - | 3,045 | 3,045 | - | 462 | 462 |
| Total - June 30, 2007 | 88,796 | 106,324 | 195,120 | 3,835 | 8,109 | 11,944 |
| Total - March 31, 2007 | 92,926 | 97,174 | 190,100 | 4,082 | 8,692 | 12,774 |



| Half Year Results | | | | | |
|---|---------|--|---------|--|-----------|
| Revenues | | | | | |
| | Sales | Financial and foreign exchange variation | Total | Financial expenses, foreign exchange variation and other | Purchases |
| Grupo Arcelor Mittal | 9,829 | - | 9,829 | 11,584 | 31,594 |
| Acesita Serviços, Comércio, Indústria e Participações Ltda. | 190,720 | - | 190,720 | - | 8,712 |
| Acesita International Ltd. | - | - | - | 9,476 | - |
| Acesita Energética Ltda. | - | - | - | - | 36,533 |
| Preservar Madeira Reflorestada | - | - | - | - | 2,215 |
| Acesita Centros de Serviços Ltda. | - | 7 | 7 | - | 8,081 |
| Inox Tubos S.A. | 148,457 | - | 148,457 | - | 3,317 |
| Total – half year ended 30/06/2007 | 349,006 | 7 | 349,013 | 21,060 | 88,452 |
| Total – half year ended 30/06/2006 | 303,213 | 14,715 | 317,928 | 29,318 | 50,017 |

Transactions with related parties were conducted under conditions considered by the Management as being compatible with market conditions. Interest rates and terms for loan agreement with subsidiary companies are agreed upon individually, interest rate corresponding to Libor + 3% a year, in addition to the foreign exchange variation. Sales are carried out at prices compatible with those charged from uncommitted clients, taking into consideration the sales volume and other commercial aspects.

8 Property, plant and equipment

| | Consolidated | | | | Parent Company | | | | Average Rate |
|---|--------------|--------------|-----------|-----------|----------------|--------------|-----------|-----------|--------------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 | |
| | Cost | Depreciation | Net | Net | Cost | Depreciation | Net | Net | |
| <i>In operation</i> | | | | | | | | | |
| Buildings and facilities | 877,344 | (302,208) | 575,136 | 587,584 | 835,807 | (290,031) | 545,576 | 557,331 | 15 |
| Industrial equipment and distribution systems | 2,463,501 | (1,018,612) | 1,444,889 | 1,450,048 | 2,408,474 | (992,964) | 1,415,510 | 1,427,246 | 15 |
| Furniture, utensils and instruments | 45,232 | (27,148) | 18,084 | 17,972 | 41,116 | (24,510) | 16,606 | 15,909 | 10 |
| Vehicles | 3,287 | (2,426) | 861 | 804 | 2,540 | (1,875) | 665 | 734 | 5 |
| Hardware | 19,998 | (8,209) | 11,757 | 11,561 | 16,244 | (8,939) | 9,305 | 9,852 | 5 |
| Reforestation | 243,204 | (138,759) | 104,445 | 106,880 | 434 | - | 434 | 434 | (*) |
| Other | 16,124 | (5,556) | 10,568 | 9,480 | 10,891 | (4,804) | 5,887 | 6,017 | 13 |
| | 3,668,658 | (1,502,916) | 2,165,740 | 2,184,329 | 3,315,106 | (1,321,123) | 1,993,983 | 2,017,223 | |
| Land | 9,019 | - | 9,019 | 9,033 | 6,308 | - | 6,308 | 6,322 | |
| Advances to suppliers | 15,782 | - | 15,782 | 16,923 | 15,315 | - | 15,315 | 16,454 | |
| Construction work in course | 133,059 | - | 133,059 | 85,998 | 113,805 | - | 113,805 | 75,190 | |
| Imports in course | 247 | - | 247 | 7,217 | 225 | - | 225 | 7,217 | |
| | 158,117 | - | 158,117 | 119,171 | 135,653 | - | 135,653 | 105,189 | |
| | 3,826,775 | (1,502,916) | 2,323,857 | 2,303,500 | 3,450,759 | (1,321,123) | 2,129,636 | 2,122,412 | |

(*) For reason of depleted area.

On June 30, 2007, the revaluation balance accounted for under Property, Plant and Equipment corresponds to R\$1,021,270 (R\$1,046,613 on March 31, 2007) reflecting the revaluations conducted in 1999, 2001 and 2005. The effect on the Company's income for the quarter and half-year ended June 30, 2007, resulting from the depreciation of the re-evaluated balance, is a net of tax expense in the amount of R\$16,727 and R\$32,963 respectively (R\$16,212 and R\$32,393, respectively, on June 30, 2006).



On June 30, 2007, the Company owned land, building and equipment given as collateral, mainly for financing, in the amount of R\$652,039 (R\$672,210 on March 31, 2007).

9 Financing

| | Average annual weighted interest rate and commissions (%) | | Consolidated | | Parent Company | |
|---|---|----------|------------------|------------------|-----------------|------------------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 |
| Parent Company (a) | | | | | | |
| Prepayment | 9.77 | 9.94 | 148,821 | 175,907 | 148,821 | 175,907 |
| Financing of property, plant and equipment | 8.17 | 5.87 | 43,940 | 54,438 | 43,940 | 54,438 |
| Nickel Hedge | | (b) | - | 18,519 | - | 18,519 |
| | | | <u>192,761</u> | <u>248,864</u> | <u>192,761</u> | <u>248,864</u> |
| Domestic Current | | | | | | |
| Financing of property, plant and equipments | 9.39 | 10.53 | 169,938 | 176,210 | 166,950 | 174,495 |
| Working Capital and other | 11.89 | 13.44 | 6,810 | 4,279 | 220 | 465 |
| | | | <u>176,748</u> | <u>180,489</u> | <u>167,170</u> | <u>174,960</u> |
| Current | | | <u>369,509</u> | <u>427,353</u> | <u>359,931</u> | <u>421,824</u> |
| | | | <u>(106,876)</u> | <u>(147,337)</u> | <u>(99,712)</u> | <u>(142,797)</u> |
| Non-Current | | | <u>262,633</u> | <u>280,016</u> | <u>260,219</u> | <u>279,027</u> |

(a) Substantially in US dollars.

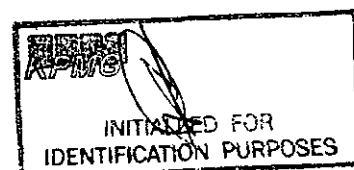
(b) Hedge operations – Price of ton of nickel at the end of each month (See Explanatory Note 15)

Financing is subject to foreign exchange variation or monetary adjustment according to official indexes or rates and are partially secured by equipment (See Explanatory Note 08).

Financing of Company's property, plant and equipment includes direct on-lending from the Banco Nacional de Desenvolvimento Econômico e Social – BNDES (the National Bank for Social and Economic Development) in the amount of R\$165,206 on June 30, 2007 (R\$123,752 on March 31, 2007) and indirect on-lending contracts of the BNDES in the amount of R\$17,111 on June 30, 2007 and R\$45,647 on March 31, 2007.

Guarantees

- All prepaid foreign exchange contracts are secured by promissory notes in the total value of the operation in foreign currency.
- The BNDES direct on-lending contracts are secured by letter of guarantee. The BNDES indirect on-lending contracts are secured by property in the minimum value corresponding to 130% of the outstanding balance of each contract.

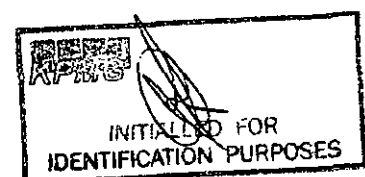


Covenants

- The Company is party to loan and financing agreements which include covenants linked to the maintenance of debt indexes, financial expense volume, and cash generation, which were complied with on June 30, 2007.

The portion classified as non-current is comprised as follows, per year of maturity:

| YEARS | Consolidated | | Parent Company | |
|-------|----------------|----------------|----------------|----------------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 |
| 2008 | 21,980 | 34,076 | 21,587 | 34,041 |
| 2009 | 89,287 | 92,154 | 88,499 | 92,154 |
| 2010 | 58,180 | 59,547 | 57,445 | 59,501 |
| 2011 | 43,059 | 43,828 | 42,596 | 42,976 |
| 2012 | 25,964 | 26,109 | 25,929 | 26,053 |
| 2013 | 23,965 | 24,092 | 23,965 | 24,092 |
| 2014 | 198 | 210 | 198 | 210 |
| TOTAL | <u>262,633</u> | <u>280,016</u> | <u>260,219</u> | <u>279,027</u> |



10 Taxes and contributions - liabilities

| | Consolidated | | Parent Company | |
|---|--------------|-----------|----------------|-----------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 |
| Deferred Income Tax and Social Contribution | 388,962 | 395,753 | 347,232 | 355,849 |
| Income Tax withheld at source | 3,269 | 3,531 | 3,043 | 3,297 |
| IRPJ and CSLL payable | 143,883 | 70,229 | 141,223 | 68,435 |
| ICMS and IPI | 30,658 | 22,555 | 29,249 | 20,879 |
| Other | 21,310 | 4,863 | 19,157 | 3,182 |
| | 588,082 | 496,931 | 539,904 | 451,642 |
| Current | (233,082) | (134,635) | (226,634) | (129,250) |
| Non-Current | 355,000 | 362,296 | 313,270 | 322,392 |

The balance of the deferred income tax and social contribution refers mainly to taxes on the revaluation reserves, the realization of which will occur through the depreciation or writing off the re-evaluated assets.

11 Taxes and contributions deposited into court

| | Consolidated | | Parent Company | |
|---|--------------|----------|----------------|----------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 |
| Income Tax | 16,597 | 16,481 | 16,179 | 16,063 |
| Social Contribution | 2,375 | 2,352 | 2,249 | 2,226 |
| INSS (Government-run pension system) of self-employed parties | 1,355 | 1,529 | 1,289 | 1,289 |
| Other | 1,529 | 1,349 | 538 | 532 |
| | 21,856 | 21,711 | 20,255 | 20,110 |

Taxes and contributions deposited into court for the quarter ended June 30, 2007:

| | Consolidated | Parent Company |
|---|--------------|----------------|
| Balance on March 31, 2007 | 21,711 | 20,110 |
| Additions (including monetary variations) | 145 | 145 |
| Write-offs | - | - |
| Balance on June 30, 2007 | 21,856 | 20,255 |

These suits involve the following main issues:

- Income Tax and Social Contribution on Profits – Refers to the difference, deposited into court, between the offsetting of taxable income against accumulated losses adjusted by the inflationary effects of the Plano Verão monetary stability plan, without the 30% limit, and the criteria defined by the tax legislation in force, now being questioned. In 2004, regardless of the lawsuit in course, the Company decided to pay the taxes and contributions directly to the coffers of the Federal Government, related to the Income Tax and the Social Contribution calculated for the current fiscal period, instead of paying such taxes and contributions via court deposit. Court deposit referring to that lawsuit amounted to R\$29,027 on June 30, 2007 (R\$28,741 on March 31, 2007).

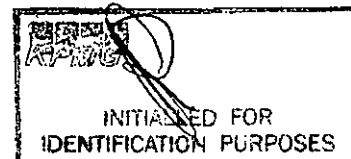
After several legal proceedings, the decision of the Higher Court of Justice/STJ was handed down in July 2005, upholding definitively the right of the Company to use the 51.73% index to recover the inflationary effects of January and February 1989, arising from the Plano Verão monetary stability plan. In this respect, on August 18, 2005, the court decision became final and unappealable and the court records were forwarded on August 29, 2005 to another court, namely the Federal Supreme Court/STF, at which the Company still had an appeal in course. Considering the final and unappealable decision handed down by the Higher Court of Justice/ STJ, and in the absence of any further appeal filed by the Federal Government, in September 2005 the Company filed, with the STF, its voluntary discontinuance of the appeal it had filed at the STF, and reverted the provision that had been constituted at that time to the result of the quarter ended on September 30, 2005. The proceedings to release the court deposit, in the approximate amount of R\$38,455 (R\$38,305 on March 31, 2007) are in course.

Other issues involving taxes and contributions in court

Law 9.718/98 – Discontinuance of legal claim – In November 2002, the Company filed a request at the proper court, asking discontinuance of the proceeding related to the increase of the calculation basis of the PIS and COFINS taxes in addition to increasing the rate of the COFINS tax, introduced by Law 9.718/98, because the Company felt, at that time, that the related decision would be unfavorable to it, which would confront the previously created provision with the balance of the existing court deposit. The request was confirmed in August 2003.

In November 2005, the increase in the calculation basis of the PIS and COFINS taxes, established in Law 9.718/98, was deemed unconstitutional by the Federal Supreme Court. Because of this decision, the Company immediately filed a discontinuance action with the objective of disregarding the final and unappealable decision previously referred to.

In February 2006, a court order was issued for the partial appraisal of the amounts deposited in court. The amounts appraised and credited to the Company, in the amount of R\$9,441, differ from those calculate by the Company, which amount to R\$13,582. In view of this discrepancy, the Company's legal counsels have already taken the necessary measures with the Judge deciding on the case and with the Caixa Econômica Federal (the Federal Government's Savings Bank) to protect the right of the Company to the respective remaining asset.



12 Provision for contingencies

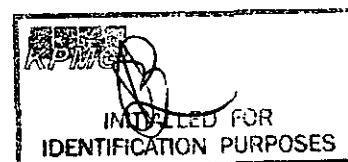
The Company and its subsidiary companies are party to lawsuits and administrative proceedings at various courts and government entities, arising from the normal course of its activities, involving tax, labor and civil issues.

The Management, based on the information of its legal counsels, on the analysis of pending legal claims and, in regard to labor claims, based on previous experiences referring to the amounts being claimed, created provisions in the amounts considered to be sufficient to cover losses evaluated as likely to happen in view of the proceedings in course. The provisions are as follows:

| | Consolidated | | Parent Company | |
|-------------------------------|---------------------|-----------------|-----------------------|-----------------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 |
| Tax and social security risks | 48,621 | 47,180 | 48,198 | 46,808 |
| Labor risks | 59,684 | 60,265 | 58,469 | 58,064 |
| Civil risks | 19,988 | 19,471 | 18,168 | 17,651 |
| Total | 128,293 | 126,916 | 124,835 | 122,523 |

The turnover of the provisions for contingencies in the quarter ended June 30, 2007, was as follows:

| | Consolidated | | | |
|---------------------------------|--------------------------------|---------------|---------------|----------------|
| | Tax and social security | Labor | Civil | Total |
| Balance on March 31, 2007 | 47,180 | 60,265 | 19,471 | 126,916 |
| Additions | 176 | 831 | 3,246 | 4,253 |
| Write-offs | (125) | (1,561) | (2,828) | (4,514) |
| Monetary variations | 1,390 | 149 | 99 | 1,638 |
| Transferências | - | - | - | - |
| Balance on June 30, 2007 | 48,621 | 59,684 | 19,988 | 128,293 |



| | Parent Company | | | |
|---------------------------|-------------------------|---------------|---------------|----------------|
| | Tax and social security | Labor | Civil | Total |
| Balance on March 31, 2007 | 46,808 | 58,064 | 17,651 | 122,523 |
| Additions | - | 831 | 3,246 | 4,077 |
| Write-offs | - | (575) | (2,828) | (3,403) |
| Monetary variations | 1,390 | 149 | 99 | 1,638 |
| Transferências | - | - | - | - |
| Balance on June 30, 2007 | <u>48,198</u> | <u>58,469</u> | <u>18,168</u> | <u>124,835</u> |

These provisions are related to the main issues referred to below:

Tax and social security risks

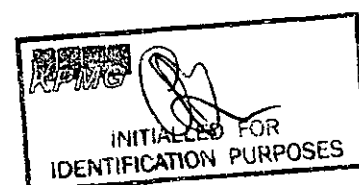
- Social Contribution on Net Income/CSLL – Refers to the litigation on the value of the legal fees on the loss of suit referring to social contribution already ended, estimated at R\$4,196 (R\$4,075 on March 31, 2007).
- Tax on Goods and Services/ICMS – Refers mainly to the provision to cover the defense of the Company in several suits filed by state tax authorities involving litigation on the use of credits on products considered as being intermediary products by the Company and understood as being consumer products by the state tax authorities, and issues involving ICMS joint liability in transactions between the Company and its suppliers. On June 30, 2007, the referred provision amounted to R\$30,858 (R\$29,015 on March 31, 2007).
- National Institute of Social Security/INSS – Refers to the provision to cover notices from the INSS referring to the decision on the litigation relating to the payment of social security contributions on services provided by third parties. On June 30, 2007, the referred provision amounted to R\$2,993 (R\$2,906 on March 31, 2007).
- Other tax issues – Refers basically to provisions to cover the decision on litigation on mandatory fees, the increase of public utility rates and the like; this provision amounts to R\$10,151 (R\$10,812 on March 31, 2007).

Labor risks

- The Company is a defendant in several labor claims, including pain and suffering, property damage and disfiguring damage. The provision to cover possible unfavorable decisions was created individually, considering the prognosis of the Company's legal counsels that the decisions would not be favorable to the Company. Included in these claims is a provision to cover the decision on the litigation involving the break during working hours for rest and meals, such provision in the amount of R\$47,516.

Civil risks

- The Company is defending itself in several proceedings of a civil nature, including pain and suffering, property damage, disfiguring damage, real estate and ownership issues, among others.



The Company is also a defendant in other lawsuits, estimated at R\$174,818 (R\$170,476 on March 31, 2007) as detailed in the table below:

| | Consolidated | | Parent Company | |
|-------------------------------|---------------------|-----------------|-----------------------|-----------------|
| | 30/06/07 | 31/03/07 | 30/06/07 | 31/03/07 |
| Tax and social security risks | 149,872 | 145,896 | 148,410 | 144,129 |
| Labor risks | 5,151 | 4,976 | 5,050 | 4,976 |
| Civil risks | 23,725 | 22,964 | 21,358 | 21,371 |
| Total | 178,748 | 173,836 | 174,818 | 170,476 |

Based on the opinion of its legal counsels, whose prognosis of the outcome is that there is a possible risk, the Company does not create provisions for these lawsuits. The tax and social security lawsuits mostly refer to issues involving the ICMS and the INSS.

Among the referred lawsuits, the most important ones are related to official notices, by the National Social Security Institute/INSS, referring to the failure to pay the additional SAT on activities subject to special employee retirement in the estimated amount of R\$29,664 (R\$28,808 on March 31, 2007).

In 2005 third quarter, a class action suit, in the amount of R\$ 55,000 was filed against the Company and the City Government of Timóteo, the municipal region where the Company's facilities (the mill) are located. The suit questions the value of the Municipal Real Estate Tax/IPTU negotiated between the Company and that municipal region. Based on the widely favorable opinion of its legal counsels as to the outcome of this suit (remote risk), the Management of the Company did not create a provision for this lawsuit.

In addition, the Company has discussed and has been successful in suits filed by the Finance Secretary of the State of Minas Gerais, where the issue being questioned is the ICMS levied on the exports of products considered by state tax authorities as being semi-finished products and which amount to approximately R\$150,000. In view of the opinion of its legal counsels as to the favorable outcome of these suits (remote risk), from the time the Company received the Tax Assessment Notice, corroborated by successive favorable decisions for the Company handed down by several courts, and especially in view of the recent and widely publicized decision of the Higher Court of Justice/ STJ, confirming judgment on grounds of *res judicata* in favor of the Company, the Management decided not to create a provision for these suits.

In December 2005, the Company received a Tax Assessment Notice in the total amount of R\$295,105 (updated to June 30, 2007), which materially questions the tax proceeding of the PIS and of the Social Contribution for the tax for social security financing (COFINS) on foreign exchange variation. In January 2006, the Company filed a challenge with the Federal Tax Authorities against the Tax Assessment Notice. The related decision is still to be handed down. Based on the opinion of its legal counsels, the Company deems the outcome as probably being favorable to it (remote risk) and therefore did not create provision.

On June 30, 2007, the inventory of finished products in the amount of approximately R\$43,899 (same amount on March 31, 2007), were given as guarantee of administrative proceedings and lawsuits in course.



13 Shareholders' equity

The changes in the quarter ended June 30, 2007 are as follows:

| | <u>31/03/07</u> | <u>Quarter Results</u> | <u>Realization of revaluation reserve</u> | <u>30/06/07</u> |
|--------------------------------|------------------|----------------------------|---|------------------|
| Capital Stock | 1,251,921 | - | - | 1,251,921 |
| Capital reserves | 3,948 | - | - | 3,948 |
| Revaluation reserves | 690,764 | - | (16,726) | 674,038 |
| Revenue reserves | | | | |
| Statutory reserve | 85,771 | - | - | 85,771 |
| Treasury stock | (3,937) | - | - | (3,937) |
| Investment and working capital | 701,974 | - | - | 701,974 |
| | <u>783,808</u> | <u>-</u> | <u>-</u> | <u>783,808</u> |
| Retained earnings reserve | 16,237 | - | 16,726 | 32,963 |
| Net Profit in the period | <u>224,504</u> | <u>248,541</u> | <u>-</u> | <u>473,045</u> |
| Total Shareholders' Equity | <u>2,971,182</u> | <u>248,541</u> | <u>-</u> | <u>3,219,723</u> |

The General Shareholders' Meeting held on April 25, 2007 approved the allocation of the net profit of fiscal 2006, including the proposed dividends, which were allotted in the financial statements for the fiscal period ended December 31, 2006.

In relation to the information included in the financial statements of December 31, 2006, there were no changes this quarter in the Company's policy for creating reserves and distributing dividends.

14 Pension plan

The Company and its subsidiary company Acesita Energética Ltda. maintain two pension plans for their employees - Acesita Previdência Privada - ACEPREV and Plano de Seguridade Acesita (former CCF Fundo de Pensão pension fund under the management of HSBC Fundo de Pensão pension fund), both combined, or variable contribution, plans, as defined by the Secretary of Complementary Social Security (part defined contribution and part defined benefit), the main objective of which is to complement the benefits of the government social security plan.

An appraisal of the actuarial assets and liabilities of the social security plans, in compliance with CVM Resolution 371/2000 is conducted annually by the Company on December 31, the base date.



15 Financial instruments

The Company and its subsidiaries have financial instruments inherent in its operations represented basically by cash and cash equivalents, investments, financing and hedge operations. The Company maintains operating strategies and policies with the purpose of obtaining liquidity, profitability and protection. The Company also has procedures that monitor balances and has conducted business with banks that meet the requisites of financial soundness and reliability, according to defined management criteria. The control policy consists of the permanent monitoring of contracted rates in comparison to current market rates.

The net exposure of the Company and its subsidiaries to the risk of foreign exchange rate fluctuations is shown below:

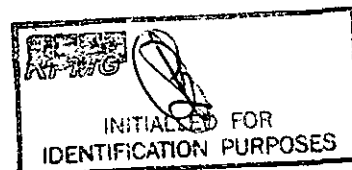
| | Book Value | |
|--------------------------------------|--------------|----------------|
| | Consolidated | Parent Company |
| Current assets | 23,803 | - |
| Accounts receivable and other assets | 342,639 | 421,777 |
| Suppliers and other accounts payable | (232,580) | (267,407) |
| Financing | (192,762) | (192,762) |
| Net exposure on June 30, 2007 | (58,900) | (38,392) |
| Net exposure on March 31, 2007 | (61,726) | (39,967) |

On June 30, 2007, the financial instruments, considering the portions of the short and long-term maturities, whose accounting balances substantially differ from market values are as follows:

| | Consolidated | | Parent Company | |
|--|--------------------|--------------|--------------------|--------------|
| | Accounting balance | Market value | Accounting balance | Market value |
| Assets | | | | |
| Investments in other companies and other Investments | 3,056 | 126,402 | 3,008 | 126,354 |
| Liabilities | | | | |
| Financing | 369,509 | 376,079 | 359,931 | 366,501 |

The Investments in Other Companies and Other Investments account is comprised mostly of investments in the company Aços Villares S.A., which was accounted for in the Company for the amount of R\$3,000 on June 30, 2007. The market value of these shares was R\$126,346 on June 30, 2007 (R\$101,657 on March 31, 2007).

No estimate was made of the market value of investments in privately-held companies because there is no active market for the trading of such companies.



The market value of borrowings and financing was calculated by using current interest rates available for transactions with similar conditions and maturities.

The market values are calculated at a specific time, based on available information and own evaluation methodologies. The estimates do not necessarily indicate that they can be realized in the market at the adopted rates/quotes.

The use of different market information and/or evaluation methodologies may have an important effect on the amount of the estimated market value.

In addition, the Company is subject to credit risk in relation to its cash and cash equivalents, financial investments and derivatives operations. This risk is minimized by centralizing the Company's financial transactions at institutions with good rating. In spite of this analysis, the Company has a financial investment balance at a bank institution in which intervention was decreed by the Central Bank of Brazil in November 2004. The Company created a provision for losses corresponding to the total value of the balance, equivalent to R\$8,631. The Company does not have a collateral agreement for financial instruments. The credit risks arising from credit sales are minimized by constant monitoring and conservative credit granting policy. In general, no guarantee is required for credit sales. The Company has provisions for possible loan losses related to credit that the Management considers as being difficult to recover.

Furthermore, the Company is subject to risk arising from price fluctuations of nickel, the main raw material used in the production of stainless steel of the 3XX line. The price of nickel is defined every day on the London Metal Exchange/LME.

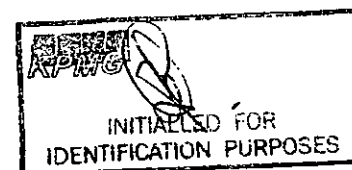
To minimize the risk arising from variations in the price of nickel between the time when the reference price of the purchased raw material is established and the time when the reference price applied to the raw material contained in the finished product is passed on to clients, the Company calculates every month the amount of nickel exposed to the fluctuations of the international market and thus hedges the transactions by availing itself of financial derivatives instruments on the LME.

The open nickel hedge contracts on June 30, 2007, were as follows:

| <u>Date of Contract</u> | <u>Expiration Date</u> | <u>Quantity (in tons)</u> | <u>Revenues (Expense) accounted for in the Company's Income</u> |
|---|------------------------|---------------------------|---|
| 25/05/2007 | 02/07/2007 | 500 | 5,019 |
| 08/06/2007 | 05/10/2007 | 498 | 5,981 |
| 11/06/2007 | 07/09/2007 | 150 | 2,014 |
| 11/06/2007 | 05/10/2007 | 252 | 3,342 |
| 13/06/2007 | 07/09/2007 | 222 | 1,784 |
| 19/06/2007 | 07/09/2007 | 456 | 2,355 |
| (=) pro-rata income from open contracts (*) | | | 20,495 |
| (+) Expenses from contracts that expired in the half year ended 30/06/07 | | | (28,061) |
| (=) Expenses accounted for in the half year ended 30/06/07 | | | (7,566) |

(*) Revenues accounted for in the quarter ended 30/06/07 .

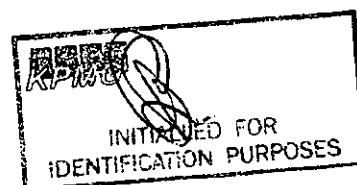
On June 30, 2007, there is a credit balance (asset) in the amount of R\$20,495, net of amortizations already carried out.



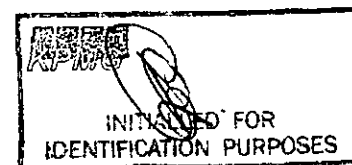
16 Complementary information

(a) Statement of cash flows

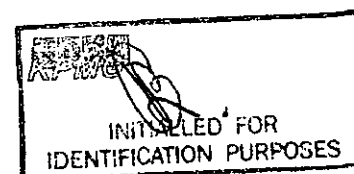
As additional information, the Company presents the statement of cash flows prepared according to NPC 20 – Statement of cash flows, issued by IBRACON - Instituto de Auditores Independentes do Brasil (the Brazilian Institute of Independent Auditors).



| | Consolidated | | | |
|--|-------------------------|------------------|---------------------------|------------------|
| | 2 nd Quarter | | 1 st Half Year | |
| | 2007 | 2006 | 2007 | 2006 |
| CASH FLOW OF OPERATING ACTIVITIES | | | | |
| Net Income for the quarter/half year | 248,008 | 112,959 | 466,534 | 238,54 |
| Adjustments for reconciliation of income to cash and cash equivalents from operating activities: | | | | |
| Depreciations, amortizations and depletion | 55,729 | 48,606 | 106,384 | 92,202 |
| Income from sales/writing off of fixed assets | - | (114) | (320) | (5,219) |
| Creation (reversion) of provisions | (15,405) | 23,608 | 7,477 | 29,284 |
| Net financial, including monetary and foreign exchange variations and interest rates | (7,664) | 22,728 | (3,691) | 2,170 |
| | <u>280,668</u> | <u>207,787</u> | <u>576,884</u> | <u>357,077</u> |
| (Increase) Decrease in assets | | | | |
| Accounts receivable | (102,651) | (10,751) | (220,456) | (8,654) |
| Inventory | (51,751) | (5,993) | (169,544) | 50,846 |
| Taxes and contributions (short and long-term) | (57,708) | (38,394) | (87,483) | (40,750) |
| Securities receivable | (119) | 10,699 | 11,750 | 23,688 |
| Court Deposits | (273) | (8,979) | (494) | 955 |
| Other | 7,669 | 9,787 | 18,717 | 12,596 |
| | <u>(204,833)</u> | <u>(43,631)</u> | <u>(447,510)</u> | <u>38,681</u> |
| Increase (Decrease) in liabilities | | | | |
| Suppliers | (31,859) | (13,941) | (1,360) | (90,922) |
| Salaries and social charges | 6,310 | (12,533) | (16,821) | (15,683) |
| Taxes and contributions | 88,835 | 52,313 | 154,093 | 87,360 |
| Other | 23,415 | 8,011 | 4,278 | 18,572 |
| | <u>86,701</u> | <u>33,850</u> | <u>140,190</u> | <u>(2,673)</u> |
| Net flow from operating activities | <u>162,536</u> | <u>198,006</u> | <u>269,364</u> | <u>393,085</u> |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (56,528) | (42,458) | (100,616) | (88,628) |
| Proceeds from the sale of property, plant and equipment and assets allocated for sale | 1,357 | 1,072 | 1,832 | 11,075 |
| Net flow invested | <u>(55,171)</u> | <u>(41,386)</u> | <u>(98,784)</u> | <u>(77,553)</u> |
| Cash Flow from financing activities | | | | |
| Borrowings and financing – foreign currency | - | 372 | - | 372 |
| Fund raising | (44,586) | (83,866) | (130,538) | (186,889) |
| Amortizations | - | - | - | - |
| Borrowings and financing – domestic currency | - | - | - | - |
| Fund raising | 4,120 | 1,425 | 8,612 | 4,222 |
| Amortizations | (11,081) | (25,124) | (23,880) | (42,287) |
| Payment of interest on Equity and dividends | (97,782) | (79,353) | (120,091) | (79,353) |
| Net flow invested in financing activities | <u>(149,309)</u> | <u>(188,546)</u> | <u>(265,897)</u> | <u>(303,915)</u> |
| CASH FLOW GENERATED (INVESTED) IN THE QUARTER/HALF YEAR | <u>(41,944)</u> | <u>(29,926)</u> | <u>(95,317)</u> | <u>11,617</u> |
| Increase (Decrease) in cash and cash equivalents | | | | |
| At the beginning of the quarter/half year | 504,495 | 425,608 | 557,868 | 384,085 |
| At the end of the quarter/half year | 462,551 | 395,682 | 462,551 | 395,682 |
| Variation in cash and cash equivalents balance | <u>(41,944)</u> | <u>(29,926)</u> | <u>(95,317)</u> | <u>11,617</u> |



| | Parent Company | | | |
|--|-------------------------|------------------|---------------------------|------------------|
| | 2 nd Quarter | | 1 st Half Year | |
| | 2007 | 2006 | 2007 | 2006 |
| CASH FLOW OF OPERATING ACTIVITIES | | | | |
| Net Income in quarter/half year | 248,541 | 112,821 | 473,045 | 238,666 |
| Adjustments for reconciliation of income to cash and cash equivalents from operating activities: | | | | |
| Depreciations | 49,659 | 43,756 | 94,233 | 82,107 |
| Income from sales/writing off of fixed assets | 135 | (28) | (397) | (5,172) |
| Equity Income | (12,405) | (3,428) | (25,002) | (4,747) |
| Creation (reversion) of provisions | (16,438) | 23,762 | 7,124 | 29,471 |
| Net financial, including monetary and foreign exchange variations and interest rates | (3,920) | 21,319 | 2,403 | 6,045 |
| | 265,572 | 188,202 | 551,406 | 346,370 |
| (Increase) Decrease in assets | | | | |
| Accounts receivable | (106,711) | 9,694 | (208,271) | 178 |
| Inventory | (41,554) | 1,835 | (160,200) | 54,853 |
| Taxes and contributions (short and long-term) | (53,261) | (45,200) | (77,929) | (47,035) |
| Securities receivable | (174) | 11,025 | 11,790 | 23,688 |
| Court Deposits | (273) | (8,950) | (501) | 481 |
| Other | 5,779 | 2,794 | 17,892 | 4,189 |
| | (196,194) | (28,802) | (417,419) | 36,374 |
| Increase (Decrease) in liabilities | | | | |
| Suppliers | (34,565) | (13,269) | (1,769) | (89,338) |
| Salaries and social charges | 8,058 | 2,817 | (17,209) | (1,816) |
| Taxes and contributions | 87,421 | 50,219 | 150,359 | 84,421 |
| Other | 21,111 | 2,047 | (1,805) | 12,104 |
| | 80,025 | 41,614 | 129,776 | 5,371 |
| Net flow from operating activities | 149,403 | 211,014 | 263,763 | 388,115 |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (45,450) | (16,548) | (77,558) | (48,416) |
| Advance for future capital increase in investees | (7,923) | (15,612) | (17,641) | (22,312) |
| Proceeds from sale of property, plant and equipment and assets allocated for sale | 138 | 28 | 743 | 9,031 |
| Net flow Invested | (53,235) | (32,132) | (94,454) | (61,697) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Borrowings and financing – foreign currency | | | | |
| Fund raising | - | 372 | - | 372 |
| Amortizations | (44,586) | (83,867) | (130,538) | (186,870) |
| Borrowings and financing – domestic currency | | | | |
| Fund raising | - | 1,125 | 246 | 2,684 |
| Amortizations | (10,876) | (24,820) | (23,435) | (35,374) |
| Payment of interest on Equity and dividends | (97,782) | (79,353) | (120,091) | (79,353) |
| Net flow Invested in financing activities | (153,344) | (186,643) | (273,818) | (298,541) |
| CASH FLOW GENERATED (INVESTED) IN THE QUARTER/HALF YEAR | (57,176) | (7,661) | (104,509) | 27,877 |
| | 2007 | 2006 | 2007 | 2006 |
| Increase (Decrease) in cash and cash equivalents | | | | |
| At the beginning of the quarter/half year | 450,789 | 344,727 | 498,122 | 309,189 |
| At the end of the quarter/half year | 393,613 | 337,066 | 393,613 | 337,066 |
| Variation in cash and cash equivalents balance | (57,176) | (7,661) | (104,509) | 27,877 |



(b) Statements of Added Value

The Management hereby publishes, in compliance with Official Letter /CVM/SNC/SEP Nr. 01/06, the statement of added value, the objective of which is to demonstrate the value of the wealth generated by the Company and the distribution to the elements that contributed to the generation thereof.

All the information contained herein was obtained from the accounting records of the Company and of its subsidiaries. Re-classification of specific information contained in the traditional income statement was carried out, in view of the fact that such information was considered as statement of added value and statement of added value.

| | 2 nd Quarter | | 1 st Half Year | |
|--|-------------------------|------------------|---------------------------|--------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | 1,457,583 | 1,004,046 | 2,832,239 | 1,895,112 |
| Sales of products and services (net of returns and rebates) | 1,460,352 | 1,003,541 | 2,834,165 | 1,887,456 |
| Reversion (creation) of Provision for doubtful debts | (1,683) | (33) | (1,689) | 168 |
| Non operating | (1,086) | 538 | (237) | 7,468 |
| Acquired Inputs | (929,928) | (650,109) | (1,839,301) | (1,258,446) |
| Raw materials | (740,249) | (427,163) | (1,420,402) | (839,754) |
| Materials, energy, third party services and others | (189,679) | (222,946) | (418,899) | (418,692) |
| Gross Added Value | 527,655 | 353,937 | 992,938 | 636,666 |
| Retentions | | | | |
| Depreciation, Amortization and depletion | (55,729) | (48,606) | (106,384) | (92,202) |
| Net added value produced by the company | 471,926 | 305,331 | 886,554 | 544,464 |
| Added value received as transfer | 30,970 | 16,272 | 50,493 | 74,165 |
| Dividends and interest on equity from other investments | 1,190 | 893 | 1,452 | 893 |
| Net financial income, monetary and foreign exchange variations | 29,780 | 15,379 | 49,041 | 73,272 |
| TOTAL ADDED VALUE TO DISTRIBUTE | 502,896 | 321,603 | 937,047 | 618,629 |

| | 2007 | | 2006 | | 2007 | | 2006 | |
|-------------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | | % | | % | | % | | % |
| DISTRIBUTION OF ADDED VALUE: | | | | | | | | |
| EMPLOYEES | | | | | | | | |
| Salaries, charges | 54,851 | 10.91% | 55,061 | 17.12% | 115,244 | 12.30% | 108,776 | 17.58% |
| Fees, Executive Board charges | 2,032 | 0.40% | 1,490 | 0.46% | 3,916 | 0.42% | 2,814 | 0.45% |
| | 56,883 | 11.31% | 56,551 | 17.58% | 119,160 | 12.72% | 111,590 | 18.04% |
| TAXES | | | | | | | | |
| Federal | 153,607 | 30.54% | 106,279 | 33.67% | 273,733 | 29.20% | 193,362 | 31.26% |
| State | 27,488 | 5.47% | 16,258 | 5.06% | 41,863 | 4.47% | 26,344 | 4.26% |
| Local | 2,753 | 0.55% | 2,868 | 0.89% | 5,862 | 0.63% | 5,887 | 0.92% |
| Less: Tax Incentives | (133) | (0.03%) | (73) | (0.02%) | (197) | (0.02%) | (137) | (0.02%) |
| | 183,715 | 36.53% | 127,332 | 39.60% | 321,261 | 34.28% | 225,256 | 36.41% |
| INTEREST | 12,022 | 2.39% | 22,161 | 6.89% | 26,304 | 2.81% | 39,384 | 6.36% |
| LEASES | 2,269 | 0.45% | 2,800 | 0.81% | 3,489 | 0.37% | 3,789 | 0.61% |
| PROFIT ALLOCATION | | | | | | | | |
| Retained earnings | 248,006 | 49.32% | 112,859 | 35.12% | 466,834 | 49.82% | 238,640 | 38.58% |
| | 248,006 | 49.32% | 112,859 | 35.12% | 466,834 | 49.82% | 238,640 | 38.58% |
| | 502,896 | 100% | 321,603 | 100% | 937,047 | 100% | 618,629 | 100% |



| | Parent Company | | | |
|--|-------------------------|------------------|---------------------------|--------------------|
| | 2 nd Quarter | | 1 st Half Year | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | 1,406,166 | 974,091 | 2,734,418 | 1,832,381 |
| Sales of products and services (net of returns and rebates) | 1,407,550 | 973,871 | 2,734,780 | 1,824,783 |
| Reversion (creation) of Provision for doubtful debts | (388) | - | (388) | 373 |
| Non operating | (998) | 220 | 26 | 7,245 |
| Acquired Inputs | (905,580) | (642,100) | (1,797,503) | (1,232,700) |
| Raw materials | (718,697) | (425,206) | 1,388,051 | (826,745) |
| Materials, energy, third party services and others | (186,883) | (216,894) | (409,452) | (405,955) |
| Gross Added Value | 500,586 | 331,991 | 936,915 | 599,681 |
| Retentions | | | | |
| Depreciation | (49,659) | (43,756) | (94,233) | (82,107) |
| Net added value produced by the company | 450,927 | 288,235 | 842,682 | 517,574 |
| Added value received as transfer | 41,234 | 15,499 | 69,690 | 72,868 |
| Equity Income | 12,405 | 3,428 | 25,002 | 4,747 |
| Dividends and interest on equity from other investments | 1,190 | 893 | 1,452 | 893 |
| Net financial income, monetary and foreign exchange variations | 27,639 | 11,178 | 43,236 | 67,228 |
| TOTAL ADDED VALUE TO DISTRIBUTE | 492,161 | 303,734 | 912,372 | 590,442 |

| | 2007 | | 2006 | | 2007 | | 2006 | |
|-------------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | | % | | % | | % | | % |
| DISTRIBUTION OF ADDED VALUE: | | | | | | | | |
| EMPLOYEES | | | | | | | | |
| Salaries, charges | 56,276 | 11.43% | 52,077 | 17.15% | 111,473 | 12.22% | 102,870 | 17.42% |
| Fees, Executive Board charges | 1,180 | 0.24% | 906 | 0.30% | 2,344 | 0.26% | 1,768 | 0.30% |
| | <u>57,456</u> | <u>11.67%</u> | <u>52,983</u> | <u>17.45%</u> | <u>113,817</u> | <u>12.48%</u> | <u>104,638</u> | <u>17.72%</u> |
| TAXES | | | | | | | | |
| Federal | 146,311 | 29.73% | 102,430 | 33.73% | 257,563 | 28.23% | 182,725 | 30.95% |
| State | 22,770 | 4.63% | 15,382 | 5.06% | 34,345 | 3.76% | 23,298 | 3.95% |
| Local | 2,723 | 0.55% | 2,841 | 0.94% | 5,801 | 0.64% | 5,836 | 0.95% |
| Less: Tax Incentives | (115) | (0.02%) | (61) | (0.02%) | (178) | (0.02%) | (125) | (0.02%) |
| | <u>171,689</u> | <u>34.89%</u> | <u>120,812</u> | <u>39.71%</u> | <u>297,531</u> | <u>32.61%</u> | <u>211,534</u> | <u>35.83%</u> |
| INTEREST | <u>12,886</u> | <u>2.62%</u> | <u>16,100</u> | <u>4.97%</u> | <u>25,223</u> | <u>2.78%</u> | <u>32,293</u> | <u>5.47%</u> |
| LEASES | <u>1,589</u> | <u>0.32%</u> | <u>2,218</u> | <u>0.73%</u> | <u>2,756</u> | <u>0.30%</u> | <u>3,311</u> | <u>0.56%</u> |
| PROFIT ALLOCATION | | | | | | | | |
| Retained earnings | <u>248,541</u> | <u>50.50%</u> | <u>112,821</u> | <u>37.14%</u> | <u>473,045</u> | <u>51.85%</u> | <u>238,666</u> | <u>40.42%</u> |
| | <u>248,541</u> | <u>50.50%</u> | <u>112,821</u> | <u>37.14%</u> | <u>473,045</u> | <u>51.85%</u> | <u>238,666</u> | <u>40.42%</u> |
| | <u>492,161</u> | <u>100%</u> | <u>303,734</u> | <u>100%</u> | <u>912,372</u> | <u>100%</u> | <u>590,442</u> | <u>100%</u> |

17 Subsequent event

On July 05, 2007, the Company's Board of Directors, under the terms of CVM Instruction 358/02, authorized the cancellation of 122,422 common shares and 105,490 preferred shares issued by Acesita, in the total amount of R\$ 3,592.



PERFORMANCE

NET RESULT

*Net income of
R\$ 248.5
million in
2Q07 and
R\$ 473.0
million in
1H07.*

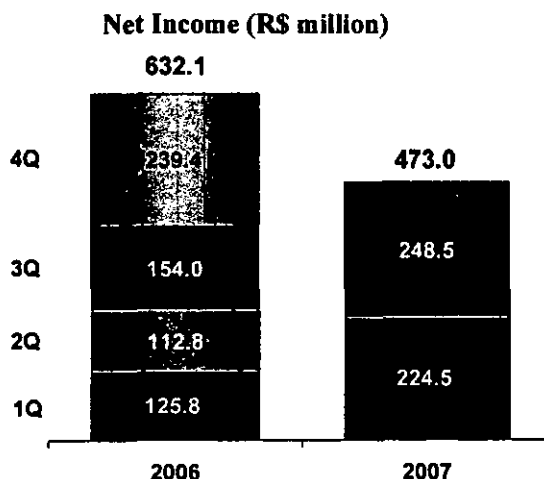
Acesita's performance in 2Q07 still reflects favorable demand and price conditions for stainless and silicon steel business, particularly in the domestic market. As a result, the Company posted a net result of R\$ 248.5 million, up 10.7% from 1Q07 and 120.3% from 2Q06.

The net income posted in this period was also supported by the recording of a financial gain of R\$ 11.2 million from exchange variation and inflation gains. Furthermore, the Company's reduced indebtedness and debt service mitigated the effect of net financial expenses, in the amount of R\$ 2.1 million, on the results obtained in 2Q07.

Acesita's good performance in the distribution and services segment – which is one of the focal points of its strategic efforts – was also sustained by beneficial conditions in the Brazilian market and it was the primary driving force behind a gain of R\$ 13.6 million posted under equity from affiliates in 2Q07.

Allowances for the payment of Income Tax and Social Contribution totaled R\$ 72.1 million in 2Q07, corresponding to 22.5% of the earnings obtained. A total of R\$ 1.3 million was deducted from this amount due to the recognition of a portion of deferred tax credits carried over from previous losses, negative social contribution base, and time differences.

Given the satisfactory results achieved in the first two quarters of 2007, the accumulated net income totaled R\$ 473.0 million, almost twice as much as the amount posted in 1H06. Net margins were 21.9% in 2Q07 and 21.2% in 1H07.



PRODUCTION AND SALES

OPERATING PERFORMANCE

The steel mill operated at full capacity and with stability in 2Q07. A number of maintenance projects were initiated in the Continuous Pig Casting Line towards the end of the quarter to restore its original operating conditions, coupled with initiatives to recover the capacity of equipment. The Hot Rolling Mill was equally revamped in late June to reestablish its original conditions. These works were all completed at the beginning of July with no impact on the final output because the downtimes had been planned, including efforts to stock up in order to cater to the needs of customers, as usual. Approximately 1,200 people were directly involved in these three processes.

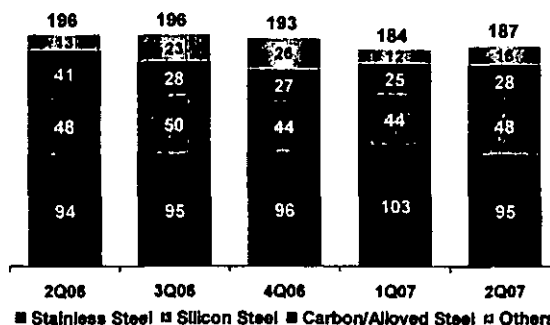
Sales totaled 187.0 thousand tons in 2Q07, with stainless steel accounting for 95.0 thousand tons or 50.8% of this volume. In 1H07, Acesita sold 370.6 thousand tons of products, distributed as follows: 53.4% of stainless steel, 24.8% of silicon steel, 14.3% of carbon/alloyed steel, and 7.5% of solid pig iron. The Company has a differentiated industrial profile with an operational structure that allows it to adjust its product mix by shifting its focus from one type of steel to another depending on the market requirements.

The recent dramatic fluctuations of nickel prices and their impact on the prices of austenitic stainless steel (containing nickel) strengthen the general trend in the consumer market towards the use of ferritic stainless steel (not containing nickel) for better protection against the instability in nickel prices. Acesita has recorded a strong demand for this kind of steel. The Company's stainless steel sales currently consist of 51% of ferritic steels and 48% of austenitic steels while the global average demand for the former is 26%.

Sales Volume Destination by Market
2Q07



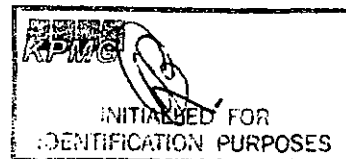
Sales Volume - Quarterly ('000 tons)



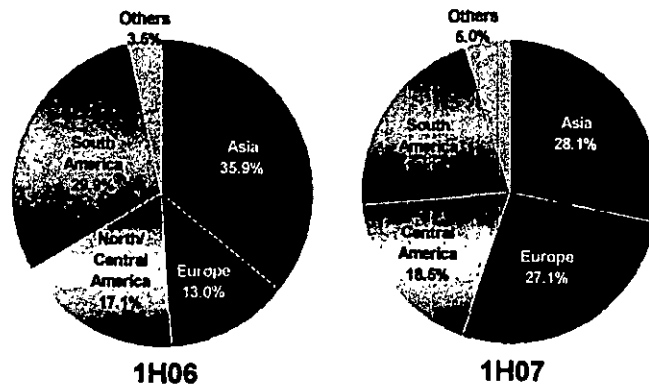
EXPORTS

Acesita exported 46.4 thousand tons of steel in 2Q07, raising the volume of export sales in 1H07 to 102.1 thousand tons. The main destinations for its stainless steel output were Asia, Europe, and South America. Stainless steels accounted for 87.0% of the total shipments in 2Q07.

According to the Company's strategic planning, South America, where Acesita is the only producer of specialty steels, represents one of the most important markets for the Company and it is the most competitive mill in this region thanks to its proximity to the marketplace. If the Company exported more to Europe than to other South American countries in 2Q07, it was due to exceptional business opportunities in that region, which allowed it to optimize its export profit margins.



Destination of Stainless Steel Export Sales



Export market

Falling nickel quotations urge distributors to sell off inventories, causing stainless steel prices to decline.

In 2Q07, the international stainless steel market began to show signs that the cyclic boom had come to an end. The euphoria observed in 2006, when demand and base prices were both on the rise, was mostly a reflection of sharp nickel price hikes.

Now that the forecasts for a decline in nickel quotations have materialized, starting in June/07, and that new stainless steel mills and/or production lines are going into operation in China, the market conditions have changed, as expected. After stocking up on stainless steel while nickel prices were escalating, distributors initiated a movement of inventory reduction.

In Europe, the apparent demand for stainless steel was sluggish. Fewer orders were placed with the steel mills as of May by end consumers and, above all, by the distributors on account of inventory adjustments. Asian producers, who had been exporting more and more, began to reduce their output of stainless steel in order to keep prices from collapsing, as demand at home and in Europe remained weak. U.S. steel makers, on the other hand, have not curbed production. Nevertheless, buyers continue to pressure for discounts on sales involving merchandise stocked up while nickel quotations were on the rise.

Domestic market

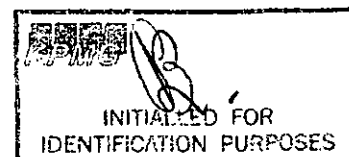
Market conditions remained favorable for Acesita in 2Q07.

Because of the heightened level of economic activity in Brazil, local conditions remained favorable throughout the period as far as demand is concerned. Acesita's domestic sales amounted to 140.6 thousand tons in 2Q07 and to 268.5 thousand tons in 1H07. These volumes represent 75.2% and 72.4% of its total sales, respectively.

A highlight in the stainless steel market is the growing demand for this product from the automotive, household appliances and, above all, capital goods industries, driven by the intense activity in the sugar/ethanol sector.

Demand for silicon steels, which are used to make electrical equipment, remains robust, reflecting the ongoing investments in this industry.

The reversal of favorable demand and price conditions already observed in the international stainless steel market has not yet made itself felt domestically. The reason is that international market conditions usually take some time to exert their full effect on the Brazilian market.



PRICES

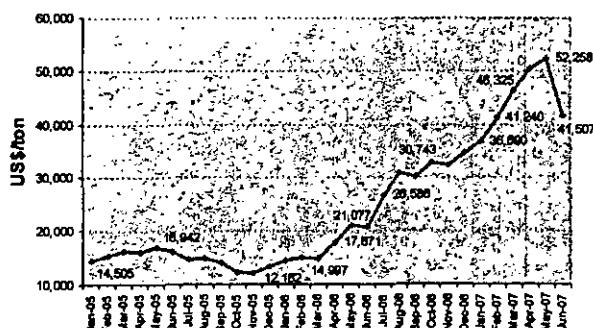
Stainless steel prices take a downturn in the international market.

Nickel quotations remained high at the beginning of 2Q07, peaking at US\$ 54,200 per metric ton on May 16, a threshold that no one believed possible a few years ago. The London Metal Exchange (LME) – the main marketplace for nickel transactions – changed the lending rules for warrants deposits in an effort to stifle speculation, which helped to reduce the quotations. Also, a renewed supply of nickel from old mines that were able to resume production due to the record-high prices contributed to change the market conditions. Although they are still far above their average historical level, nickel prices have fallen significantly since June, reaching a quotation of US\$ 30,415 per metric ton on July 30, 2007.

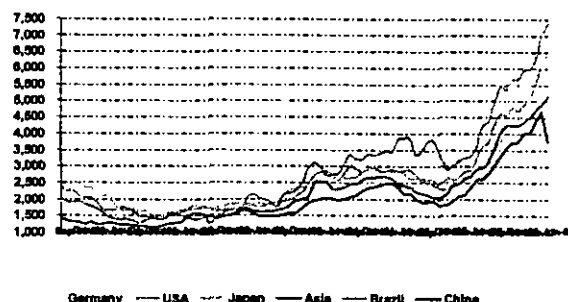
There is a high correlation between the behavior of the global stainless steel market and the behavior of the nickel market. The reason is that the market price of austenitic stainless steel (which includes nickel in its composition) is calculated using an alloy surcharge formula, at least for a certain part of the sales. Even the base prices, without the use of alloy surcharges, were, at first, influenced by the sharp nickel price hikes observed in the previous months, mainly on account of a speculative movement among the distributors, who boosted the apparent demand for stainless steel by stocking up in order to profit from the appreciation of this metal. After that, these distributors, who anticipated a drop in nickel prices, were forced to speed up their sales and, once again, the world's stainless steel market is affected by the fluctuations in the nickel market.

Finally, the startup of new stainless steel operations in China, coupled with a global demand that is often satisfied at the expense of discounts granted for the purpose of reducing inventory levels, cooled down the market with an attendant decline in prices.

Average Nickel Prices (LME Cash)



Stainless Steel Price CR 304 2mm Domestic Market - US\$/t



Obs.: From Jun/03 on, Hong Kong prices are considered Asia Source: CRU/Acesita



ECONOMIC AND FINANCIAL PERFORMANCE

NET OPERATING REVENUE

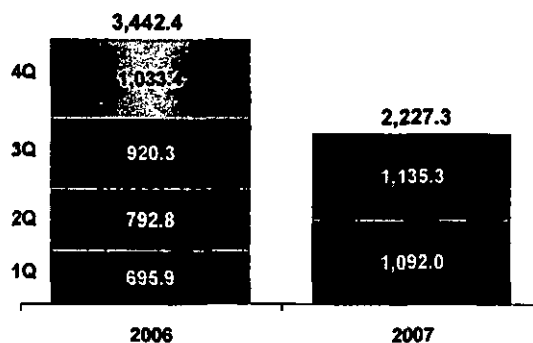
*R\$ 1,135.3 million
– quarterly
revenue breaks
second record in
2007.*

Acesita's net operating revenue in 2Q07 amounted to R\$ 1,135.3 million, up 4.0% from the record high posted in the first quarter of the year. When compared to the same period in 2006, there was an improvement of 43.2%.

With regard to the stainless steel segment, the stability of the Brazilian market and the heavier weight of the alloy surcharge in stainless steel prices until May 2007 helped the Company to post satisfactory net operating revenues in 2Q07. It is worth noting that the US\$ 15,050/ton drop in nickel prices that occurred between May 31 and June 29 did not have any impact on June's revenue, due to the time lag that is intrinsic in the calculation of the alloy surcharge.

As for the silicon steel business, the conditions were still favorable, with demand on the rise. This trend should remain unchanged in the medium term.

Net Operating Revenue – R\$ million



INDUSTRIAL COSTS

*Downturn in nickel
quotations as of late
May has not yet
affected the results
of 2Q07.*

The Cost of Goods Sold (COGS) totaled R\$ 753.4 million in 2Q07, which is only 0.7% superior to the amount registered in 1Q07. When compared to 2Q06, there was an increase of 38.2%. The behavior of this account is strongly influenced by nickel price variations because this metal alone accounted for 43.3% of the total costs in 2Q07. International nickel quotations took a downturn in late May, and this change should be reflected in the COGS as of the third quarter of the year. Part of the nickel held in stock at Acesita is covered by hedge contracts whose purpose is to protect the Company from losses if and when this metal depreciates.

On June 30, 2007, Acesita held an open position in derivative operations, exclusively aimed at hedging the Company against nickel price oscillations. The balance provisioned on that date amounted to R\$ 20.5 million, as follows:

- R\$ 5.0 million referring to an operation maturing on July 2, 2007, whose calculation was based on June's average price, and therefore it was known and definitive; and
- R\$ 15.5 million referring to the other open operations, marked to market and based on the curves made available by LME, and therefore subject to changes due to the market behavior over the



coming months.

Other alloys – such as chromium-iron alloy, silicon-iron alloy, and molybdenum – also saw their prices rise over the last few months.

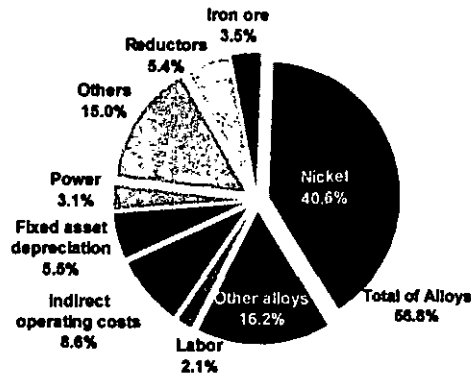
GROSS PROFIT

Over 1/3 of net revenues are converted into gross profit.

Acesita's gross profitability was 33.6% in 2Q07, when the Company posted a gross profit of R\$ 381.9 million. In comparison with 2Q06 and with 1Q07, these two figures represent an increase of 54.4% and 11.2% for gross profit, and a 2.4 and 2.1 percentage points gain for the margins, respectively.

The gross profit obtained in 1H07 amounted to R\$ 725.4 million, up 64.1% from 1H06, leading to a gross margin of 32.6%, which is superior to the margin registered in 1H06 by 2.9 percentage points.

Breakdown of COGS - 1H07



OPERATING CASH GENERATION - EBITDA

Efficient production and sales management, coupled with favorable demand and price conditions, resulted in EBITDA of R\$348.6 million in 2Q07.

Acesita's operating expenses totaled R\$ 82.9 million in 2Q07, down 3.0% from the same period in the previous year, when the account named "Other Operating Expenses" was burdened by the recording of an allowance for operational and administrative restructuring efforts in the amount of R\$ 14.5 million. By comparison with 1Q07, they climbed 7.6% mainly on account of a R\$ 4.0 million increase in administrative expenses.

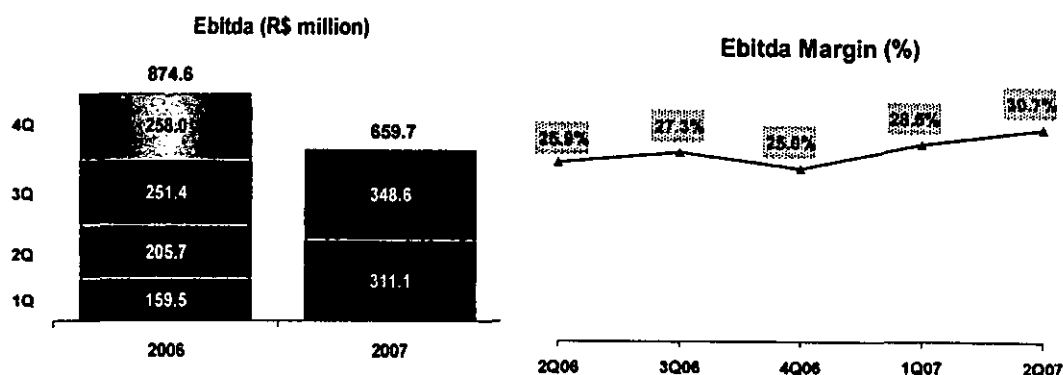
The operating expenses accrued in 1H07 amounted to R\$ 159.9 million, remaining virtually flat (+0.6%) when compared to the sum spent in 1H06.

The Company's satisfactory operating performance, supported by the favorable conditions in the stainless and silicon market segments and enhanced by the mill's flexibility to produce different types of steel, contributed to an improvement in operating cash generation (i.e. earnings before interest, tax, depreciation and amortization).

EBITDA totaled R\$ 348.6 million in 2Q07, up 69.5% from 2Q06 and 12.1% from 1Q07, yielding an EBITDA margin of 30.7%.

The EBITDA accumulated in 1H07 have already reached the R\$ 659.7 million mark, which is 80.7% superior to the performance in 1H06.





INDEBTEDNESS

Acesita's consolidated gross debt was R\$ 370 million as at the end of June 2007, down R\$ 57 million from the position on 03/31/07. This reduction is mainly due to the amortization of advances on export exchange contracts. Consequently, net financial expenses shrank by 21.2% in 2Q07 to R\$ 2.1 million. Consolidated cash and cash equivalents, on the other hand, totaled R\$ 463 million as at the same date.

CAPITAL EXPENDITURE

R\$ 56.5 million were spent on capital investment projects.

In 2Q07, Acesita spent R\$ 56.5 million mainly on equipment maintenance and improvement efforts, and on projects to expand its silicon steel production capacity and charcoal production capacity.

Capital expenditures amounted to R\$ 100.6 million in the first six months of the year or 38.2% of the total sum set aside for capital investments in 2007, namely R\$ 263.4 million. According to the plans for the projects under way, the heaviest disbursements will be made in the second half of the year.

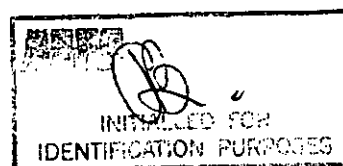
CAPITAL MARKET

Stock performance

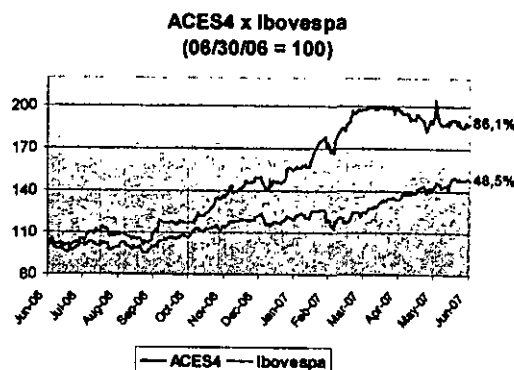
Preferred shares appreciated 25.0% in 1H07.

Acesita's preferred shares closed the 2Q07 quoted at R\$ 68.26, meaning an appreciation of 25.0% in the semester. When the last 12 months are considered, they climbed 86.1% while the São Paulo Stock Exchange Index (Ibovespa) advanced 48.5% over the same period.

During the 2Q07, Acesita's preferred shares were negotiated in 100% of the trading sessions held at Bovespa, resulting in 9,632 transactions involving 3,713.3 thousand shares and a financial volume of R\$ 4.2 million.



| STOCK MARKET PERFORMANCE - ACES4 | |
|--|--------|
| Average Daily Trading Volume 2Q07 (R\$ thousand) | 4,243 |
| Average Daily Trading Volume 2Q07 (shares) | 59,892 |
| Closing Price - Jun/07 | 68.28 |
| Closing Price - Mar/07 | 72.64 |
| Closing Price - Dec/06 | 54.59 |
| Closing Price - Sep/06 | 40.01 |
| Closing Price - Jun/06 | 38.67 |
| Stock Performance - 2Q07 | -6.03% |
| Stock Performance - 12 months | 86.15% |
| Ibovespa Performance - 2Q07 | 18.75% |
| Ibovespa Performance - 12 months | 48.49% |



OUTLOOK

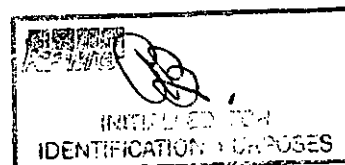
Bright prospects for the silicon steels segment. End of cyclic price hikes in the Brazilian stainless steel market.

Owing to the time lag between fluctuations of nickel prices and their impact on stainless steel prices, August's Alloy Surcharge will reflect the drop in the metal prices that occurred in June and July, and may come to pressure the base price even further.

Recent information shows that virtually no new orders of stainless steel have been placed with the steel mills, particularly in Asia, where producers have been forced to control their output. The fall in nickel prices led to a short-term trend towards a drop in sales by mills.

Domestically, the end of the boom may be felt more noticeably as of the third quarter. Prices in the local market tend to follow the international trend, usually with a one or two-month lag. However, demand for stainless steels should remain satisfactory as the local economy is heated and several projects are under way in many sectors, such as the orange juice, paper & pulp, and sugar & ethanol industries, one exception being the distribution segment, whose inventory levels should undergo an adjustment.

As for the silicon steels segment, the outlook remains unchanged with bright prospects for the medium term.



CVM Reports

ITR - QUARTERLY INFORMATION

Quarterly Report (Corporation Law) 2007/2

31/07/2007

Index

06 – Consolidated Balance Sheet

Real

06.01 – Consolidated Balance Sheet – Assets (x RS 1000)

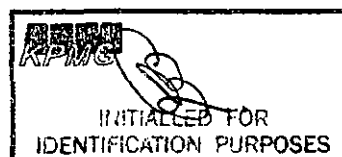
| Code Number of Account: | Description of Account: | 30/06/2007: | 31/03/2007: |
|-------------------------|---|-------------|-------------|
| 1 | Total Assets | 4,879,163 | 4,722,034 |
| 1.01 | Current Assets | 2,151,415 | 2,009,017 |
| 1.01.01 | Cash and Cash Equivalents | 462,551 | 504,495 |
| 1.01.01.01 | Cash and Banks | 83,832 | 69,315 |
| 1.01.01.02 | Financial Investments | 378,719 | 435,180 |
| 1.01.02 | Credits | 640,061 | 553,017 |
| 1.01.02.01 | Clients | 640,061 | 553,017 |
| 1.01.02.01.01 | Foreign Market | 238,516 | 291,949 |
| 1.01.02.01.02 | Domestic Market | 422,314 | 355,746 |
| 1.01.02.01.03 | Vendor | 0 | (75,610) |
| 1.01.02.01.04 | Provision for credit risks | (20,769) | (19,068) |
| 1.01.02.02 | Other receivables | 0 | 0 |
| 1.01.03 | Inventories | 784,206 | 755,384 |
| 1.01.03.01 | Finished Products | 205,299 | 199,346 |
| 1.01.03.02 | Products being manufactured | 270,038 | 274,041 |
| 1.01.03.03 | Raw Materials | 189,902 | 114,077 |
| 1.01.03.04 | Products in the hands of third parties | 22 | 87 |
| 1.01.03.05 | Imports in transit | 69,171 | 105,933 |
| 1.01.03.06 | Materials for consumption and maintenance | 61,298 | 72,427 |
| 1.01.03.07 | Provision for losses | (11,524) | (10,527) |
| 1.01.04 | Others | 264,597 | 196,121 |
| 1.01.04.01 | Recoverable and deferred taxes | 200,112 | 145,422 |
| 1.01.04.02 | Deferred expenses | 64,485 | 50,699 |
| 1.02 | Non-current Assets | 2,727,748 | 2,713,017 |
| 1.02.01 | Long-Term Assets | 348,658 | 349,742 |
| 1.02.01.01 | Other Credits | 324,702 | 325,311 |
| 1.02.01.01.01 | Recoverable and deferred taxes | 232,842 | 229,693 |
| 1.02.01.01.02 | Court Deposits | 91,860 | 95,618 |
| 1.02.01.02 | Credits with Associated Entities | 0 | 0 |
| 1.02.01.02.01 | With Affiliated and Related Entities | 0 | 0 |
| 1.02.01.02.02 | With subsidiaries | 0 | 0 |
| 1.02.01.02.03 | With Other Associated Entities | 0 | 0 |
| 1.02.01.03 | Others | 23,956 | 24,431 |
| 1.02.01.03.01 | Restructuring Assets | 9,716 | 9,930 |
| 1.02.01.03.02 | Others | 14,240 | 14,501 |



| | | | |
|---------------|--|-----------|-----------|
| 1.02.02 | Fixed Assets | 2,379,090 | 2,363,275 |
| 1.02.02.01 | Investments | 3,056 | 3,056 |
| 1.02.02.01.01 | Interest in Affiliated/Associated Companies | 0 | 0 |
| 1.02.02.01.02 | Interest in Affiliated/Related Companies – Premium | 0 | 0 |
| 1.02.02.01.03 | Interest in Subsidiaries | 0 | 0 |
| 1.02.02.01.04 | Interest in Subsidiaries – Premium | 0 | 0 |
| 1.02.02.01.05 | Other Investments | 3,056 | 3,056 |
| 1.02.02.02 | Fixed Assets | 2,323,857 | 2,303,500 |
| 1.02.02.03 | Intangible Assets | 39,424 | 42,304 |
| 1.02.02.04 | Deferred Assets | 12,753 | 14,415 |

06.02 – Consolidated Balance Sheet - Liabilities (x RS 1000)

| Code Number of Account: | Description of Account: | 30/06/2007 | 31/03/2007: |
|-------------------------|--|------------|-------------|
| 2 | Total Liabilities | 4,879,163 | 4,722,034 |
| 2.01 | Current Liabilities | 890,959 | 958,125 |
| 2.01.01 | Loans and Financings | 106,876 | 147,337 |
| 2.01.02 | Debentures | 0 | 0 |
| 2.01.03 | Suppliers | 422,923 | 475,024 |
| 2.01.04 | Taxes, Fees and Contributions | 233,082 | 134,635 |
| 2.01.05 | Dividends Payable | 1,924 | 99,706 |
| 2.01.06 | Provisions | 6,354 | 9,936 |
| 2.01.06.01 | Provision for Restructuring | 6,354 | 9,936 |
| 2.01.07 | Debts with Associated Entities | 0 | 0 |
| 2.01.08 | Others | 119,800 | 91,487 |
| 2.01.08.01 | Salaries and Social Charges | 62,638 | 56,328 |
| 2.01.08.02 | Other Accounts Payable | 57,162 | 35,159 |
| 2.02 | Non-current Liabilities | 789,496 | 813,208 |
| 2.02.01 | Long-Term Liabilities | 789,496 | 813,208 |
| 2.02.01.01 | Loans and Financings | 262,633 | 280,016 |
| 2.02.01.02 | Debentures | 0 | 0 |
| 2.02.01.03 | Provisions | 0 | 0 |
| 2.02.01.04 | Debts with Associated Entities | 0 | 0 |
| 2.02.01.05 | Advance for Future Capital Increase | 0 | 0 |
| 2.02.01.06 | Others | 526,863 | 533,192 |
| 2.02.01.06.01 | Provision for Deferred IRPJ/CSLL | 355,000 | 362,296 |
| 2.02.01.06.02 | Taxes and Contributions Deposited into Court | 21,856 | 21,711 |
| 2.02.01.06.03 | Provision for Contingencies | 128,293 | 126,916 |
| 2.02.01.06.04 | Provision for Restructuring | 1,930 | 2,300 |
| 2.02.01.06.05 | Other Accounts Payable | 19,784 | 19,969 |
| 2.02.02 | Deferred Income | 0 | 0 |
| 2.03 | Interest Held by Minority Shareholders | 0 | 0 |
| 2.04 | Net Equity | 3,198,708 | 2,950,701 |
| 2.04.01 | Realized Capital Stock | 1,251,921 | 1,251,921 |
| 2.04.02 | Capital Reserves | 3,948 | 3,948 |
| 2.04.02.01 | Subsidy for Investments | 3,948 | 3,948 |
| 2.04.02.02 | Treasury Stock | 0 | 0 |



| | | | |
|---------------|--|---------|---------|
| 2.04.03 | Revaluation Reserves | 674,038 | 690,764 |
| 2.04.03.01 | Own Assets | 674,038 | 690,764 |
| 2.04.03.02 | Subsidiaries/Affiliates and Associated Companies | 0 | 0 |
| 2.04.04 | Profit Reserves | 783,808 | 783,808 |
| 2.04.04.01 | Legal | 85,771 | 85,771 |
| 2.04.04.02 | Statutory | 0 | 0 |
| 2.04.04.03 | For Contingencies | 0 | 0 |
| 2.04.04.04 | Realizable Profits | 0 | 0 |
| 2.04.04.05 | Retained Earnings | 0 | 0 |
| 2.04.04.06 | Special for Non-Distributed Dividends | 0 | 0 |
| 2.04.04.07 | Other Profit Reserves | 698,037 | 698,037 |
| 2.04.04.07.01 | Treasury Stock | (3,937) | (3,937) |
| 2.04.04.07.02 | For Investments and for Working Capital | 701,974 | 701,974 |
| 2.04.05 | Retained Earnings/Accumulated Losses | 484,993 | 220,260 |
| 2.04.06 | Advance for Future Capital Increase | 0 | 0 |

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07 – Consolidated Income Statement

Real

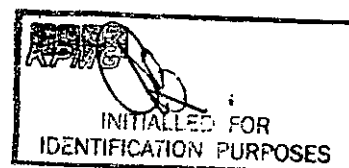
07.01 – Consolidated Income Statement (x RS 1000)

| Code Number of Account: | Description of Account: | Value of Current Quarter 01/04/2007 to 30/06/2007: | Accumulated Value of Current Fiscal Period 01/01/2007 to 30/06/2007: | Value of Same Quarter in the Previous Fiscal Period 01/04/2006 to 30/06/2006: | Accumulated Value of Previous Fiscal Period 01/01/2006 to 30/06/2006: |
|----------------------------|---|--|---|--|--|
| 3.01 | Gross Income from Sales and/or Services | 1,471,760 | 2,856,938 | 1,009,301 | 1,898,167 |
| 3.02 | Deductions from Gross Income | (294,386) | (550,450) | (191,932) | (359,238) |
| 3.03 | Net Revenues from Sales and/or Services | 1,177,374 | 2,306,488 | 817,369 | 1,538,929 |
| 3.04 | Cost of Goods and/or Services Sold | (771,710) | (1,529,290) | (547,836) | (1,060,053) |
| 3.05 | Gross Income | 405,664 | 777,198 | 269,533 | 478,876 |
| 3.06 | Operating Income/Expenses | (81,188) | (176,745) | (110,313) | (161,315) |
| 3.06.01 | With Sales | (42,343) | (96,367) | (46,382) | (91,978) |
| 3.06.02 | General and Administrative | (47,239) | (88,099) | (41,837) | (80,097) |
| 3.06.02.01 | Remuneration of Personnel /Social Charges | (8,285) | (18,762) | (9,906) | (20,223) |
| 3.06.02.02 | Depreciation | (5,096) | (10,114) | (4,004) | (8,177) |
| 3.06.02.03 | Others | (33,858) | (59,223) | (27,927) | (51,697) |
| 3.06.03 | Financial | (3,403) | (7,337) | (9,613) | (19,625) |
| 3.06.03.01 | Financial Income | 12,288 | 28,554 | 12,641 | 27,295 |
| 3.06.03.02 | Financial Expenses | (15,691) | (35,891) | (22,254) | (46,920) |
| 3.06.04 | Other Operating Income | 14,664 | 17,997 | 0 | 45,353 |
| 3.06.04.01 | Net Monetary Variations | 14,664 | 17,997 | 0 | 45,353 |
| 3.06.04.02 | Other Net | 0 | 0 | 0 | 0 |
| 3.06.05 | Other Operating Expenses | (4,057) | (4,391) | (13,374) | (15,861) |
| 3.06.05.01 | Net Monetary Variations | 0 | 0 | (1,403) | 0 |
| 3.06.05.02 | Other Net | (4,057) | (4,391) | (11,971) | (15,861) |



| | | | | | |
|---------|---|----------|-----------|----------|----------|
| 3.06.06 | Equity Income | 1,190 | 1,452 | 893 | 893 |
| 3.07 | Operating Result | 324,476 | 600,453 | 159,220 | 317,561 |
| 3.08 | Non-operating Result | (1,086) | (237) | 538 | 7,488 |
| 3.08.01 | Income | 0 | 0 | 538 | 7,488 |
| 3.08.02 | Expenses | (1,086) | (237) | 0 | 0 |
| 3.09 | Income Before Taxes/Shareholding Interests | 323,390 | 600,216 | 159,758 | 325,049 |
| 3.10 | Provision for Income Tax and Social Contributions | (76,720) | (150,318) | (46,799) | (86,409) |
| 3.11 | Deferred Income Tax | 1,338 | 16,936 | 0 | 0 |
| 3.12 | Statutory Shareholding Interests/Contributions | 0 | 0 | 0 | 0 |
| 3.12.01 | Shareholding Interests | 0 | 0 | 0 | 0 |
| 3.12.02 | Contributions | 0 | 0 | 0 | 0 |
| 3.13 | Reversal of Interest on Own Capital | 0 | 0 | 0 | 0 |
| 3.14 | Interest held by Minority Shareholders | 0 | 0 | 0 | 0 |
| 3.15 | Earnings/Losses in the Period | 248,008 | 466,834 | 112,959 | 238,640 |
| | Number of Treasury Stock (Thousands): | 74,294 | 74,294 | 74,294 | 74,294 |
| | Earnings per Share (R\$) | 3.33820 | 6.28360 | 1.52043 | 3.21210 |
| | Losses per Share (R\$): | | | | |

See comments on the performance of the parent company which substantially represents the consolidated performance of the Acesita Group.



ITR – QUARTERLY INFORMATION

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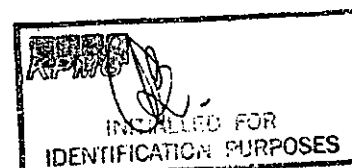
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09 –Interest in Subsidiaries/Affiliates

09.01 –Interest in Subsidiary and/or Affiliated Companies

| | | | | |
|--|---|---|---|--------------------|
| 01 | ACESITA SERVIÇOS, COM. IND. PART. LTDA. | | | 60.500.121/0001-24 |
| Classification: | % Interest in Capital of Investee Company: | % Net Equity Of Investing Company: | Type of company | |
| Privately-held, total ownership control | 100.00% | 12,06% | Industrial, commercial and other | |
| Initial Date of Current Quarter | Final Date of Current Quarter | No. of Treasury Shares in Current Quarter (Thousands): | No. of Shares in the Last Quarter (Thousands): | |
| 01/04/2007 | 30/06/2007 | 204,272 | 161,422 | |



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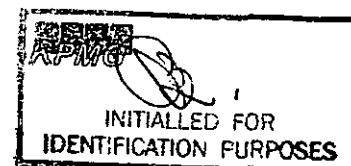
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18 - Data of Subsidiary/Affiliate

- ACESITA SERVIÇOS, COM. IND. PART. LTDA.

18.01.01 - Income Statement of Subsidiaries/Affiliates

| Code Number: | Description | 01/04/2007 to 30/06/2007 | 01/01/2007 to 30/06/2007 | 01/04/2006 to 30/06/2006 | 01/01/2006 to 30/06/2006 |
|--------------|---|--------------------------|--------------------------|--------------------------|--------------------------|
| 3.01 | Gross Income from Sales and/or Services | 157,604 | 290,027 | 85,112 | 165,192 |
| 3.02 | Deductions from Gross Income | (45,881) | (84,325) | (23,734) | (46,020) |
| 3.03 | Net Income from Sales and/or Services | 111,723 | 205,702 | 61,378 | 119,172 |
| 3.04 | Cost of Goods and/or Services Sold | (93,431) | (168,908) | (47,678) | (96,169) |
| 3.05 | Gross Income | 18,292 | 36,794 | 13,700 | 23,003 |
| 3.06 | Operating Expenses/Income | (4,022) | (6,607) | (7,757) | (16,525) |
| 3.06.01 | From Sales | (5,462) | (10,076) | (6,169) | (12,246) |
| 3.06.01.01 | Personnel Expenses/Labor Charges | (2,670) | (4,824) | (2,822) | (5,540) |
| 3.06.01.02 | Sales Expenses | (1,923) | (3,830) | (2,094) | (4,121) |
| 3.06.01.03 | Others | (869) | (1,422) | (1,253) | (2,585) |
| 3.06.02 | General and Administrative | (5,709) | (10,534) | (3,071) | (4,985) |
| 3.06.02.01 | Personnel Remuneration/ Social Charges | (843) | (2,248) | (942) | (1,726) |
| 3.06.02.02 | Outsourced Services | (871) | (1,663) | (561) | (994) |
| 3.06.02.03 | Taxes, Fees and Penalties | (32) | (96) | (190) | (222) |
| 3.06.02.04 | Depreciations and Amortizations | (1,886) | (3,764) | (347) | (695) |
| 3.06.02.05 | Others | (2,077) | (2,763) | (1,031) | (1,348) |
| 3.06.03 | Financial | (142) | (125) | (2,721) | (4,926) |
| 3.06.03.01 | Financial Income | 806 | 1,521 | 658 | 1,374 |
| 3.06.03.02 | Financial Expenses | (948) | (1,646) | (3,379) | (6,300) |
| 3.06.04 | Other Operating Income | 2,208 | 4,833 | 1,105 | 3,465 |
| 3.06.04.01 | Net Monetary Variations | 1,428 | 2,222 | 57 | 1,672 |
| 3.06.04.02 | Other Net | 780 | 2,611 | 1,048 | 1,793 |
| 3.06.05 | Other Operating Expenses | 0 | 0 | (78) | (138) |
| 3.06.05.01 | Net Monetary Variations | 0 | 0 | 0 | 0 |
| 3.06.05.02 | Other Net | 0 | 0 | (78) | (138) |
| 3.06.06 | Equity Income | 5,083 | 9,295 | 3,177 | 2,305 |
| 3.07 | Operating Income | 14,270 | 30,187 | 5,943 | 6,478 |



| | | | | | |
|------------|--|---------|---------|---------|---------|
| 3.08 | Non-Operating Income | 131 | 130 | (1,301) | (2,658) |
| 3.08.01 | Revenues | 251 | 130 | 53 | 54 |
| 3.08.02 | Expenses | (120) | 0 | (1,354) | (2,712) |
| 3.08.02.01 | Investment Premium | 0 | 0 | (1,353) | (2,706) |
| 3.08.02.02 | Others | 0 | 0 | (1) | (6) |
| 3.09 | Earnings Before Taxes/Shareholding Interest | 14,401 | 30,317 | 4,642 | 3,820 |
| 3.10 | Provision for Income Tax and Social Contribution | (2,160) | (4,632) | 0 | 0 |
| 3.11 | Deferred Income Tax | (448) | (698) | 0 | 0 |
| 3.12 | Statutory Shareholding Interest/Contributions | 0 | 0 | 0 | 0 |
| 3.12.01 | Shareholding Interests | 0 | 0 | 0 | 0 |
| 3.12.02 | Contributions | 0 | 0 | 0 | 0 |
| 3.13 | Reversal of Interest on Own Capital | 0 | 0 | 0 | 0 |
| 3.15 | Profit/Losses in the Period | 11,793 | 24,987 | 4,642 | 3,820 |
| | Nr. of Treasury Shares (Thousands): | 204,272 | 204,272 | 128,832 | 128,832 |
| | Earnings per Share (R\$): | 0.05773 | 0.12232 | 0.03603 | 0.02965 |
| | Losses per Share (R\$): | 0.00000 | 0.00000 | 0.00000 | 0.00000 |

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COMMENT ON THE PERFORMANCE OF ASCIPAR

Gross income in 2Q2007 was 25% higher in comparison to the 2Q2006. Earnings from cutting services increased by R\$11 million and the average sales price increased by 39.25%. The increase in sales volumes, corresponding to 2.418 tons, was an additional factor that contributed towards the positive performance in this quarter.

Net income from foreign exchange variation and the equity income result also had a positive influence on the performance of Ascipar in the quarter.

END

